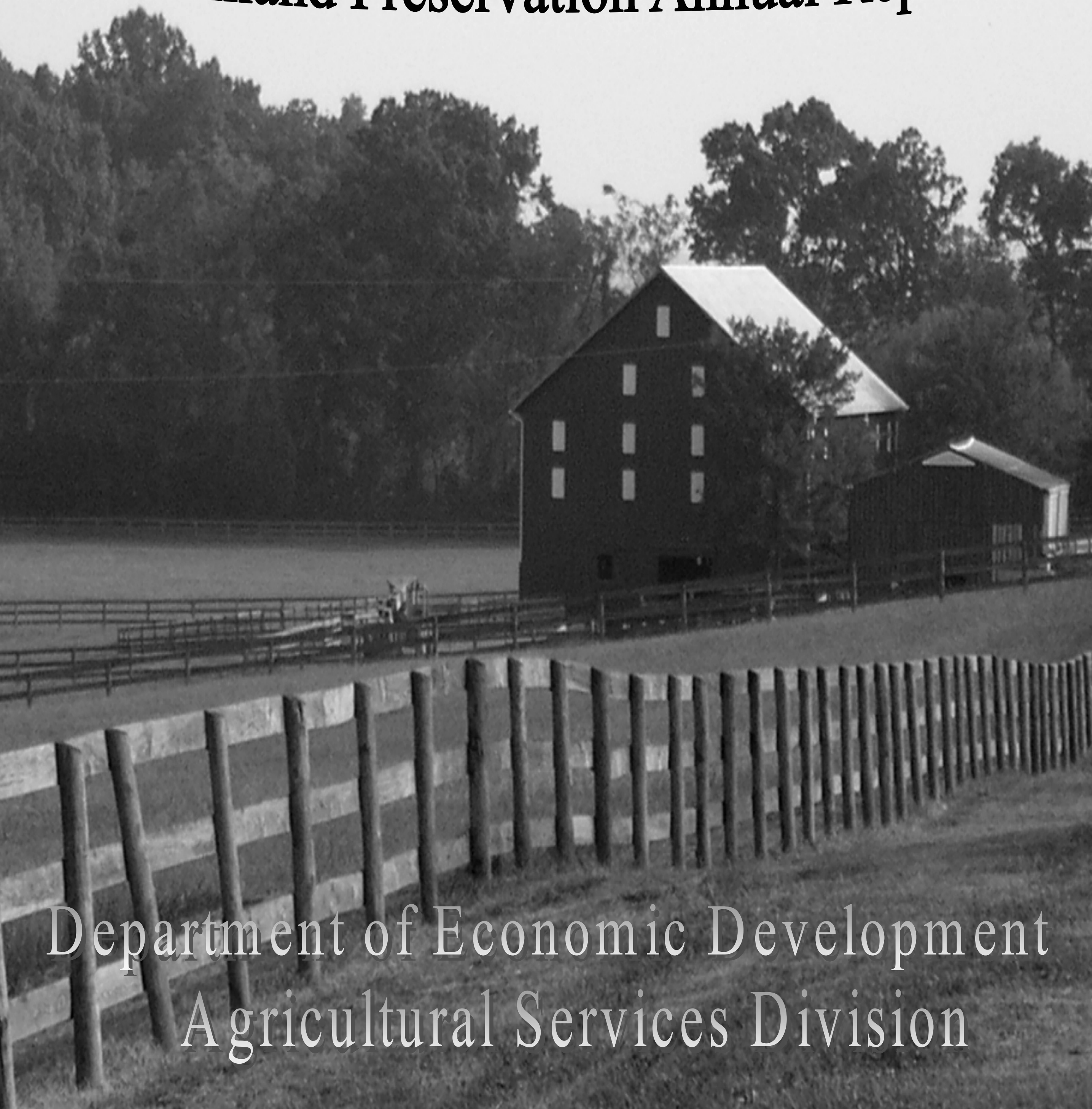
Montgomery County

FY1980-FY2005

Farmland Preservation Annual Report



Department of Economic Development
Agricultural Services Division

Being County Executive provides me a great opportunity to work closely with a diversity of businesses and citizens throughout the County. Many people recognize that the County is the ideal location for biotech and information technology businesses. What many people are not aware of, however; is that Montgomery County also has a thriving agricultural industry that contributes over $252 million to the local economy.

The continued viability of the agricultural industry is strengthened through a variety of programs offered by the Department of Economic Development - Agricultural Services Division. Our agricultural preservation programs help to ensure that the economic contribution from agriculture will continue for many years to come. I am proud that Montgomery County has permanently protected 64,998 acres within our Agricultural Reserve as outlined in this *Montgomery County Farmland Preservation Program Report (FY1980-2005).*

The Agricultural Preservation Programs, as referenced in this report, are integral to the County’s public land use policy and key to the sustainability of the agricultural sector. Whether you enjoy purchasing fresh locally grown products or appreciate a beautiful vista as an open space amenity, all of us benefit from agricultural preservation.

We are proud that Montgomery County's Farmland Preservation Programs continue to lead the nation in protecting more farmland than any other jurisdiction in the nation.

The agricultural community should be commended for its stewardship in farmland preservation. The continued success of the preservation of farmland within the County could not be accomplished without this important and vital community.

Douglas M. Duncan
County Executive

The Honorable Douglas M. Duncan, County Executive
Executive Office Building
101 Monroe Street, 2nd Floor
Rockville, Maryland 20850

Dear Mr. Duncan:

It gives us great pleasure to present *The Montgomery County Farmland Preservation Program Report (FY1980-2005)*. This comprehensive report details the progress we have made in our agricultural land preservation programs and initiatives over the past 26 years. The Agricultural Preservation Advisory Board (APAB) is encouraged by the continued program participation and quality of productive farms protected by easements under many of the programs that are available.

Many farmers have acknowledged the benefits our easement programs provide. We are very proud of the vital role these programs play in keeping important family farms in continued operation throughout Montgomery County. Our programs continue to focus on the preservation of farms with good soils which are threatened by development, while at the same time offering a protection opportunity to owners of small farms.

The APAB is pleased to report that the County is on target towards reaching its goal of preserving 70,000 acres in the Agricultural Reserve by the year 2010. We believe achievement of this goal benefits all citizens by striking a balance between the preservation of agricultural and open spaces while promoting economic viability throughout the entire County. With the strong commitments from Montgomery County and with the agricultural community's willingness to participate in our programs, we look forward to an ongoing partnership that will help to protect our vital agricultural resources.

The APAB sincerely appreciates your demonstrated commitment to Agricultural Preservation and under your leadership we look forward to fulfilling the County's agricultural preservation goal by the year 2010.

Sincerely,

Michael Sutherland, Chairman W. Drew Stabler David Scott

Anne Davies Robert Paulsen

The Montgomery County Farmland
Preservation Program Report
FY1980-FY2005

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Executive Summary

For over two hundred years, Montgomery County has been the home to a strong agriculture industry. There is a long and rich farming heritage in the County; a heritage and tradition that has contributed greatly to the incredibly high quality of life the residents of Montgomery County enjoy today. Preserving that heritage and encouraging its growth, through land preservation efforts and public policy, continues to be a top priority in Montgomery County.

The most significant initiative began 26 years ago in 1980 when almost a third of the County, more than 93,000 acres of land, was designated as the County's Agricultural Reserve. The vision was to preserve this land to not only for the benefit of the County's farmers, but to ensure future generations of residents would enjoy the environmental and esthetic benefits of this wondrous open space. The vision has become a reality. Montgomery County is now recognized as a national leader in the field of land preservation. *In fact, we have preserved more acres of farmland, over 64,998 acres to date, than any other jurisdiction in the United States.*

We have done this incredible work by partnering with rural landowners to utilize several agricultural land preservation programs. The programs are designed to work with the landowner to place agricultural and conservation easements on land to prevent future commercial, residential or industrial development of the property.

The most revolutionary tool created by the County to fight the battle against suburban sprawl, was the designation of a bona-fide agricultural zone, known as the Rural Density Transfer (RDT) Zone. This first-of-its-kind zoning became the predominant zoning in the Agricultural Reserve. By law, RDT zoning sets a 25 acre density for subdivision of land, but allows landowners to sell development rights based on the previous zoning designation of 1 unit per 5 acres to areas designated for higher density growth elsewhere in the County. The results are that the rural landowner can recapture some of the lost equity which resulted from the 1980 down-zoning, while centering development in strategic areas where the existing infrastructure can accommodate the increased density. While this "transferable development rights" program has been successful, further protection measures have been necessary to protect farmland.

To keep Montgomery County's Farmland Preservation programs adequately funded, a combination of funding sources has been used, including:

Agricultural Transfer Taxes: Beginning with the certification of our farmland preservation program in *FY1990* and through *FY2005*, a total of *$21,240,470* of agricultural transfer taxes have been retained by the County for agricultural land preservation.

Investment Income: Agricultural Transfer Taxes that are retained by Montgomery County are placed into an interest bearing account. Beginning in *FY1994*, the income generated by the interest was invested back into the agricultural land preservation program. As of *FY2005*, a total of *$2,271,994* of interest has accrued. Investment Income has been used to fund preservation initiatives, emergency agricultural economic development initiatives and staffing costs. As of the end of FY2005, the fund balance of Investment Income is about $904,229.00 and is available to the program.

General Obligation Bonds: One alternative farmland preservation funding source are General Obligation Bonds. While no G.O Bonds are currently being authorized and appropriated for this project, they may be sought in the future as cash revenues funding the preservation program dwindle.

State and Federal Grants: Beginning in 1997, the State's Rural Legacy Program was enacted as part of the State's Smart Growth and Neighborhood Conservation initiative to protect our natural resources. Since the first grants were awarded during the FY1998-1999 grant cycle, Montgomery County has been awarded/allocated a total of *$18.1* million in State Grant Funds. The Federal Farmland Protection Program (FPP) was first created for the State of Vermont and then in 1996, was finally expanded to include all States and Counties in the U.S. Montgomery County Government has been an active participant within the FPP since its first year in 1996. Since this time, Montgomery County has made successful bids for FPP funding during each authorized funding cycle. As of *FY2005*, Montgomery County has been awarded a total of *$792,363* in Federal Funds.

While Montgomery County has been very aggressive at pursuing all funding options, there is significant acreage of land yet to be protected before the County reaches its goal of 70,000 acres of permanently protected farmland.

Programs and Program Administration

The Agricultural Services Division was created to support and promote the viability of the agricultural industry in Montgomery County. The Division works to increase the public's awareness of the value and economic impact of agriculture. In order to preserve working farmland, the Division is responsible for the administration of a variety of agricultural and conservation easement programs. To oversee the public policy for agricultural preservation, Chapter 2B of the Montgomery County Code provides for the establishment of an Agricultural Preservation Advisory Board (APAB). The role of the APAB is to promote the preservation of agriculture within the County. In general, the APAB provides advice and recommendations for establishing Agricultural Districts, sets priorities for easement acquisition, provides guidance for setting program policies, and makes recommendations on proposed regulations as well as mediation for certain review and approvals for easement servicing.

There are 7 primary land preservation programs available to landowners within Montgomery County.

		Total Acreage Protected
1.	Maryland Agricultural Land Preservation Foundation (MALPF)	3,594
2.	The Montgomery County Agricultural Easement Program (AEP)	6,799
3	Rural Legacy Program (RLP)	3,935
4	Maryland Environmental Trust (MET), and other private trust organizations.	2,086
5	Transferable Development Rights Program (TDRs)	48,584
6	Montgomery County Legacy Open Space Program (LOS)	0
7.	Conservation Reserve Enhancement Program (CREP)	1,909*

* CREP Contract Phase Only

Through *FY2005*, Montgomery County has protected *64,998* acres of farmland through the preservation programs offered to its residents.

Once the land is protected by an agricultural or conservation easement, the job of protecting the land is far from over. All easement properties must be monitored to ensure landowner compliance with all of the easement covenants. As part of the County's easement acquisition program, easement properties are inspected bi-annually. Easement stewardship is an ongoing requirement of any easement program and it will be necessary long after the last easement is purchased by the County or State. The dedication of local resources, including staff, must be provided to ensure that the investment in the protection of the agricultural resources is achieved. This vital programmatic component will ensure that all citizens within the County are the beneficiaries of farmland preservation.

Montgomery County has established a goal of protecting 70,000 acres of farmland. Through *FY2005*, the County is about *93* percent towards reaching that goal. By examining the trend of development versus the trend of agricultural land preservation, achievement of the goal should be attained by the year *2010*, provided no significant economic and political disruptions occur.

Future Initiatives:

The continued success of the County's farmland preservation initiative may be dependent upon our ability to make program adjustments in order to provide viable alternatives to landowners above and beyond development options. Exploration of innovative program changes, alternative funding sources, policy changes, regulatory relief, and the expansion of both private/public sector investments all may be required in order to reach our preservation goal.

The agricultural industry within the County is constantly evolving. We must recognize that changing trends in agriculture are not unique to Montgomery County, nor are these trends an indication of the ultimate demise of the agricultural industry. Changes are a normal part of an evolving market-driven system. The key for any industry to survive is dependent upon change and the ability of a region to adapt to these changes.

If the County recognizes the importance of agriculture within its borders then government must assume the responsibility of recommending and implementing measures to ensure its survival. A key recommendation within the 1980 Functional Master Plan for the Preservation of Agriculture and Rural Open Space details on page <u>iv</u> is that there must be *"application of incentives and regulations to preserve farmland and rural open space and to encourage agricultural use of the land."*

New initiatives and the decisions that are made will have a profound impact on the future of agriculture. We must ensure that the next generation will be the beneficiaries of productive farmland and open space amenities. To this end we, will have protected an important part of our County's heritage as well as enhancing the quality of life for all citizens of Montgomery County.

The Montgomery County Farmland
Preservation Program Report
FY1980-2005

I. Introduction - Preservation of Agricultural Lands

Preservation of rural land for agricultural use has been and continues to be a high priority in Montgomery County. More than 93,000 of the County's 316,800 acres are designated within an Agricultural Reserve. In a broad sense, the County's primary goals for agricultural preservation include the following:

- the conservation of farmland for future food and fiber production;
- ensuring a continued high quality food supply for our citizens; and
- preserving the agricultural industry and rural communities as an enhanced quality and way of life.

Farmers and landowners are a crucial part of this effort to preserve agricultural land as they are both participants in, and beneficiaries of, efforts to preserve agricultural land. There are several agricultural land preservation programs available by which a landowner can choose to participate. Through these programs, Agricultural and Conservation easements are placed on the property. These easements prevent future commercial, residential or industrial development of the land, thus keeping the land available for agricultural use.

There are 7 primary land preservation programs available to landowners in Montgomery County and they are as follows:

		Total Acreage Protected
1.	Maryland Agricultural Land Preservation Foundation (MALPF)	3,594
2.	The Montgomery County Agricultural Easement Program (AEP)	6,799
3	Rural Legacy Program (RLP)	3,935
4	Maryland Environmental Trust (MET), and other private trust organizations.	2,086
5	Transferable Development Rights Program (TDRs)	48,584
6	Montgomery County Legacy Open Space Program (LOS)	0
7.	Conservation Reserve Enhancement Program (CREP)	1,909*

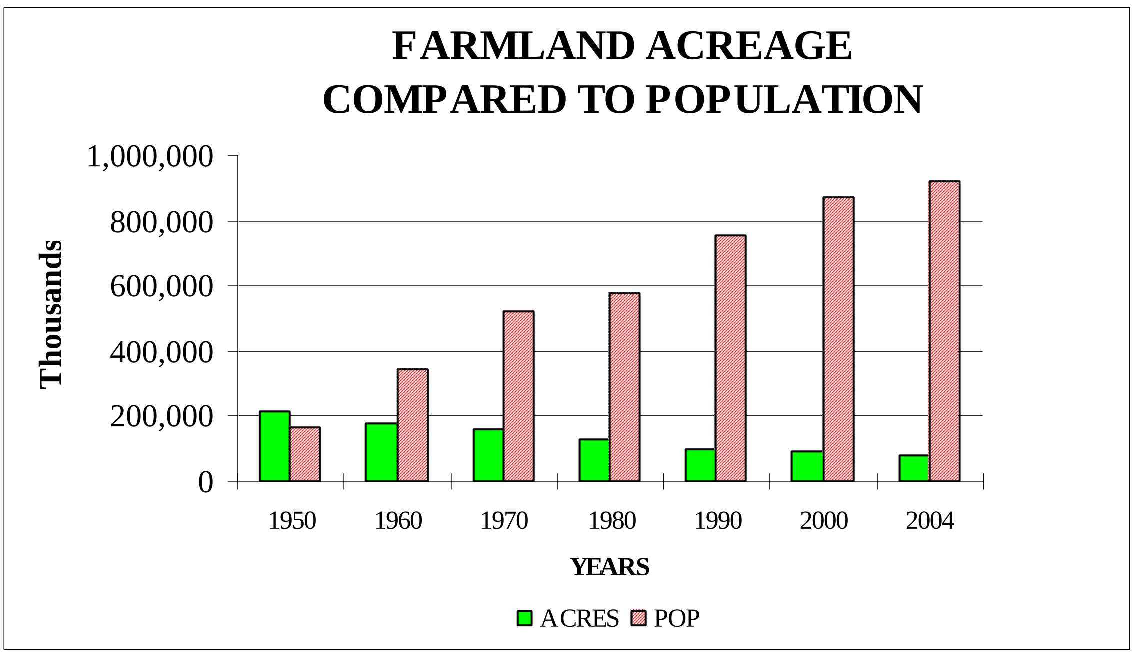
* CREP Contract Phase Only

Montgomery County is recognized as a national leader in the field of farmland preservation as we have preserved more acres of farmland through agricultural and conservation easements, than any other County within the United States. This recognition is demonstrated by over *64,998* acres of farmland being protected through voluntary easement programs including Transferable Development Rights (TDRs).

Through our TDR Program, Montgomery County has been very successful in accommodating development in designated receiving areas, thereby reducing sprawl and protecting farmland in rural areas. This approach represents a mechanism by which the private sector helps to fund farmland preservation within the County. At the present, the TDR program represents a private sector investment of over $92 Million dollars into the rural economy.

II. Historical Background - Montgomery County's Long Term Commitment to the Preservation of Agricultural Land

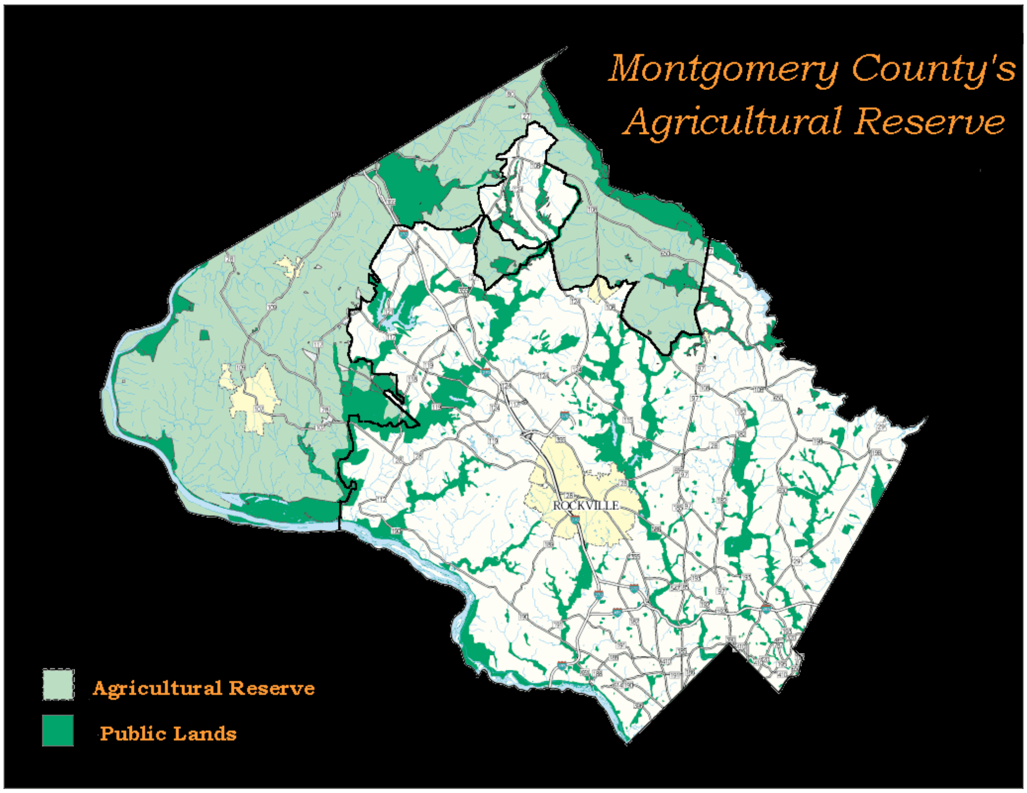
In the late 1950’s, agricultural and open space preservation arose as a social and economic issue. The loss of agricultural and open space land, as a planning issue, was expressed in terms of the needs and problems associated in the metropolitan areas. In essence, the need to preserve open space and the diseconomy in building costly infrastructure to serve scattered suburban development. This was at the heart of the issue in 1960 when Maryland enacted the first state law to provide preferential assessments on farmland in the hope of encouraging farmers not to sell their property to developers. Despite preferential assessment programs, however; development pressure continued to erode farmland acreage. The chart below details the comparison of farmland acreage to population within the County, *1950 - 2004.*



Montgomery County being visionary and recognizing growth trends within its borders began to take action to conserve land for agricultural and open space. In 1964, Montgomery County's General Plan created the concept of "Wedges and Corridors," an enduring regional land use plan that envisioned growth corridors radiating out from Washington, D.C. like spokes of a wheel that were separated by green wedges of open space, farmland, and lower density residential uses. The Corridors provide opportunities for compact, transit-serviceable growth while the Wedges provide respite, recreation, and protection of natural resources. These first steps, while well intentioned, did not stop the rapid conversion of agricultural lands. In order to stem the tide of rapid land conversion, the County embarked on a more aggressive approach to reduce the conversion of rural lands.

This approach was initiated through the adoption of the *Functional Master Plan for the Preservation of Agriculture and Rural Open Space (October 1980)* which created a 93,000 acre agricultural reserve. The Reserve was created to preserve agricultural land and open space in the County from the extensive spread of suburban growth that permeated the County since the end of WWII. While the underlying General Plan for Montgomery County (1964) designates the area as a part of the "Agricultural Wedge," low density residential development threatened this character. The Agricultural Reserve was created to further expand the principles of the General Plan and the Agricultural Wedge. With certain zoning tools in place, the goal was to preserve rural character and the economic viability of agriculture as a segment of the County economy.

Map Detailing the County's Agricultural Reserve



The predominant zoning in the Agricultural Reserve is the Rural Density Transfer (RDT) Zone, which sets a 25 acre density for subdivision of land, but allows landowners to sell development rights on their land to areas designated for higher density growth elsewhere in the County. While this "transferable development rights" program has been successful, further protection measures have been necessary to protect farmland. Montgomery County has been an active participant in the use of agricultural transfer tax funds to purchase agricultural easements, but these public funds have been limited and collections are subject to fluctuations in the economy. While Montgomery County has been very aggressive at pursuing State and Federal Land Conservation Grants, there is significant acreage of land yet to be protected. Rising land values and limited funds are key concerns to securing easements on the remaining unprotected lands. In the meantime, encroachment upon the Agricultural Reserve by low density residential development continues, with the spread of residential lots continuing at the 25 acre density required in the RDT Zone.

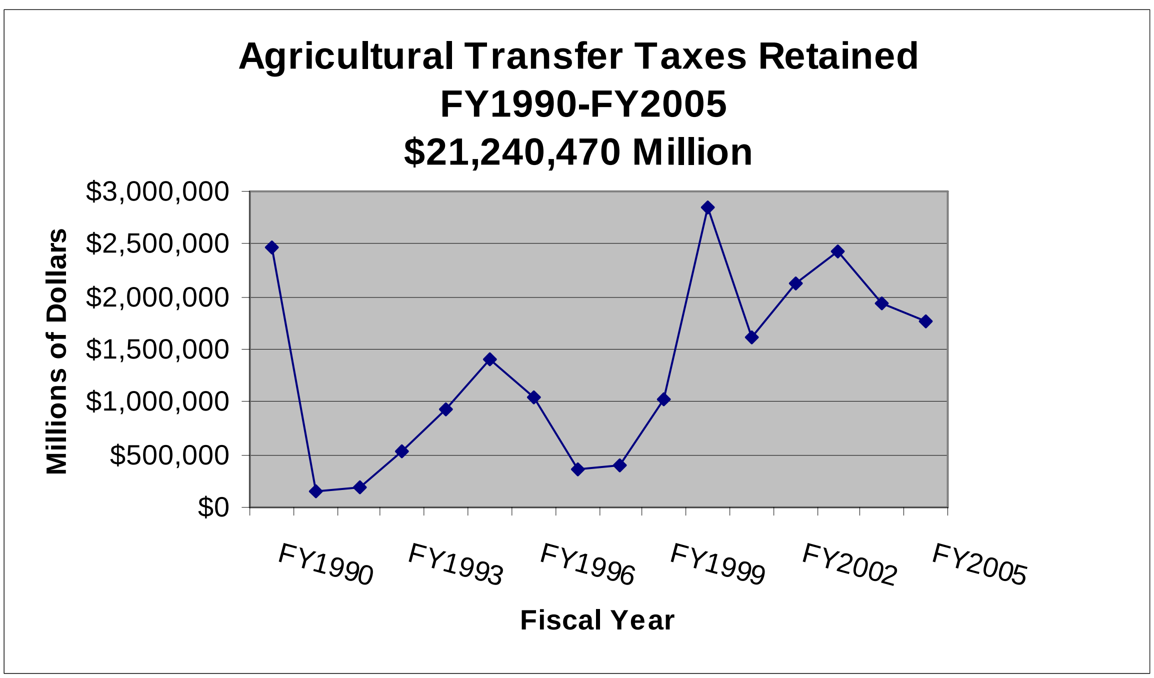
As mentioned previously, Montgomery County's "Preservation Tool box" is very diverse, in that it currently has seven programs or tools available for land preservation. When allied with agricultural zoning, these land preservation tools are powerful mechanisms that protect agricultural lands and promote the preservation of agriculture as an industry.

III. Program Funding

Montgomery County's Farmland Preservation programs are funded by a combination of funding sources. These funding sources include retention of county share of State Agricultural Transfer Taxes, Investment Income, General Obligation Bonds, State and Federal Grants.

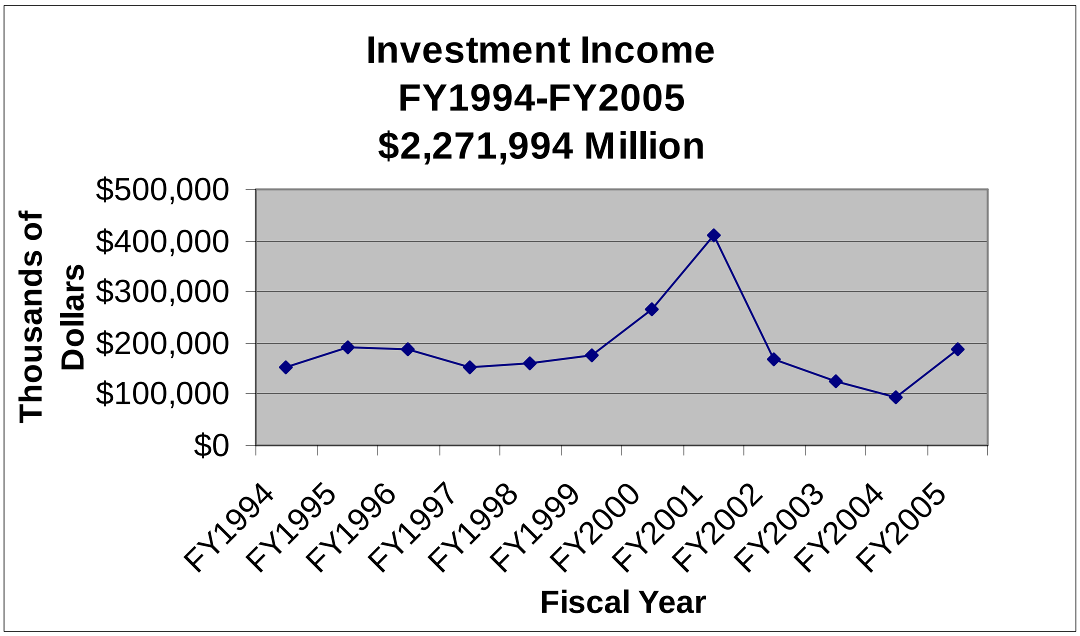
A. Agricultural Transfer Tax

Agricultural Transfer Taxes are collected when farmland is sold and converted to uses other than agriculture. The agricultural transfer tax that is assessed on real property is 5 percent of the consideration paid. Montgomery County's agricultural preservation program is certified by the State, and is therefore able to retain 75% of the agricultural transfer taxes collected in order to fund the agricultural preservation program. Beginning with certification in *FY1990* and through *FY2005*, a total of *$21,240,470* has been retained by the County for agricultural land preservation. The following chart details the annual collection of agricultural transfer tax retained by Montgomery County beginning with certification in *FY1990* through *FY2005*.



B. Investment Income

Agricultural Transfer Taxes retained by Montgomery County are placed in an interest bearing account. Beginning in *FY1994*, the income generated by the interest was invested back into the agricultural land preservation program. Through *FY2005*, a total of *$2,271,994* of interest has accrued. The chart below details the accumulation of Investment Income by Montgomery County beginning with *FY1994* through *FY2005*. Investment Income has been used to fund preservation initiatives, emergency agricultural economic development initiatives and staffing costs. As of the end of FY2005, the fund balance of Investment Income is about $904,229.00 and is available to the program.



In *FY1997*, a policy was implemented which directed agricultural transfer tax expenditures to be offset by Investment Income. This policy authorized 10 percent of the total agricultural transfer tax expenditures be adjusted as the Investment Income's contribution to the project. This policy remained in effect until *FY2003*, when the Office of Management and Budget and the Department of Economic Development recommended that investment income be used to fund 100 percent of the administrative expenses associated with the project. (These expenses include in the Division of Agricultural Services 1.0 work year for a Senior Business Specialist, 0.5 work year for a Senior Business Specialist and 0.6 work year for the Division Manager. This change simplified the current practice of cost allocation for administrative expenses and eliminated the need for time-consuming State reporting requirements. This policy was applied retroactively to encompass Investment Income expenditures for *FY2001*, *FY2002* and *FY2003* and the investment income expenditures were adjusted accordingly.

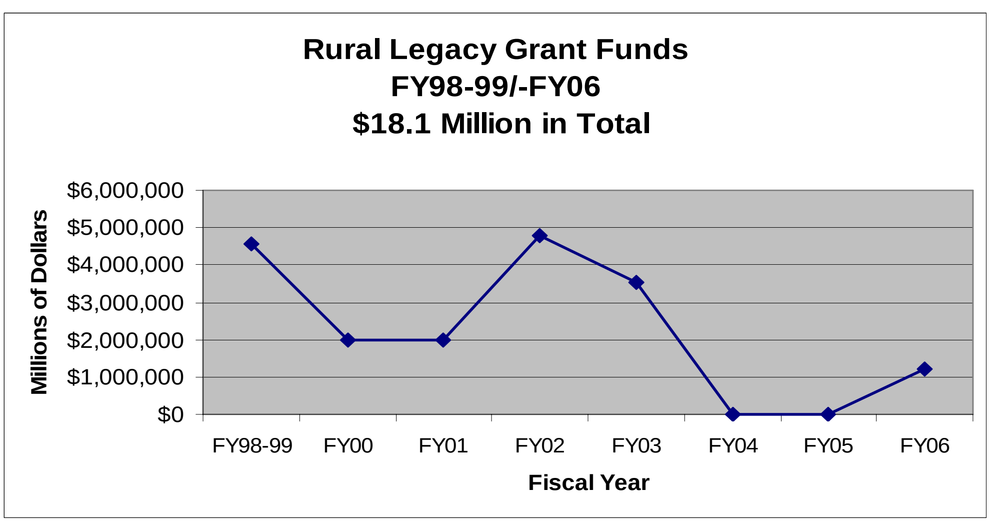
C. General Obligation Bonds

One alternative for funding farmland preservation in Montgomery County is through the use of General Obligation Bonds. By definition, a General Obligation Bond or G.O. Bond is a bond backed by the ability of a sovereign or municipal issuer (County) to levy taxes on real property and on business activities in its jurisdiction. General obligation bonds are backed by the full faith, credit and taxing power of the issuer. Because these types of bonds require debt servicing for repayment, the County adopted a policy to limit the use of G.O. Bonds for farmland preservation. This policy dictates that G.O. Bonds can only be used when the reserves of cash have been significantly depleted. For several fiscal years, G.O Bonds were authorized and appropriated for use, but were never used because of the G.O. Bond usage policy. In *FY 2001, $700* thousand dollars of appropriated G.O Bonds were returned for use elsewhere in the County since the program had sufficient cash revenue. While no G.O Bonds are currently being authorized and appropriated for this project, they may be sought in the future as cash revenues become insufficient to fund the preservation program.

D. State Grants

Beginning in 1997, the State's Rural Legacy Program was enacted as part of the State's Smart Growth and Neighborhood Conservation initiative to protect our natural resources. Through this program, a competitive grants program was established by which local governments and local land trusts could compete for State funds. These funds could be directed to either purchase sensitive lands in fee or acquire protection through conservation easements. Since the first grants were awarded during the FY1998-1999 grant cycle, Montgomery County has been awarded a total of *$18.1* million in State Grant Funds. The Rural Legacy Programs allows a Grant Sponsor to retain *3%* of the easement value for administrative costs and *1.5%* for easement monitoring. These Monitoring funds are placed into an interest bearing account and the interest accumulated is used to fund easement monitoring costs. Through *FY2005,* Montgomery County has retained *$339,001.29* for administrative costs and *$168,709.65* for easement monitoring.

Summary of Rural Legacy Awards to Montgomery County

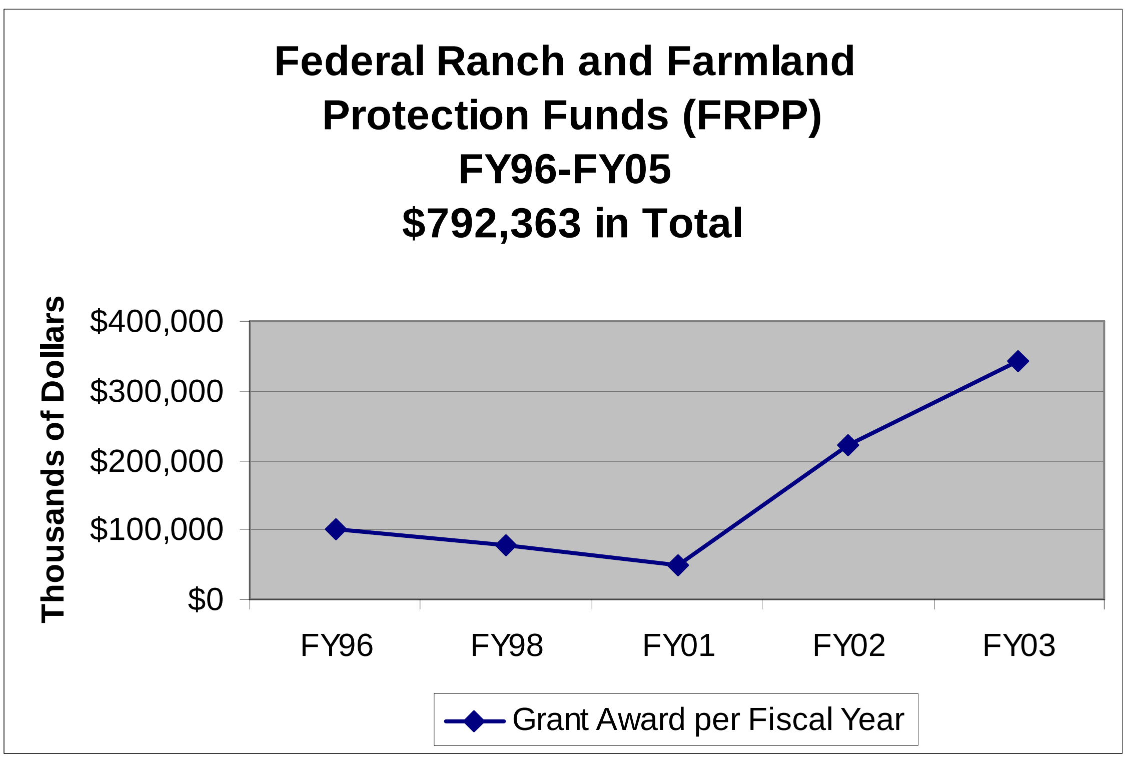


E. Federal Grants

The National Association of Counties (NACO) established the Agricultural and Rural Affairs Steering Committee in the 1980's. Through this effort, Maryland Counties participated in an extensive lobbying effort to lay the foundation for the Federal Government to become a new partner in Farmland Preservation. The Federal Farmland Protection Program (FPP) was first created for the State of Vermont, and then in 1996 was finally expanded to include all States and Counties in the U.S. The name of the program was changed in 2004 to the Federal Ranch and Farmland Protection Program (FRPP) to include prioritizing ranchland protection.

This program provides reimbursement for up to 50% of the easement costs for properties protected by agricultural land preservation easements. Montgomery County Government has been an active participant in the FRPP since its first year in 1996. Since this time, Montgomery County has made successful bids for FRPP funding during each authorized funding cycle. As of *FY2005*, Montgomery County has been awarded a total of *$792,363* in Federal Funds. The following chart details the extent of FRPP awards by fiscal year, through *FY2005*.

Summary of Federal Fund Awards to Montgomery County



IV. Program Administration and Preservation Programs.

Program Administration:

Department of Economic Development - Agricultural Services Division

The majority of Montgomery County farms are family-run operations, many reaching back several generations, and these farms are state-of-the-art agricultural operations, contributing to the County's economy. Preserving farmland as a resource ensures that Montgomery County will have agricultural production capabilities in the future.

The Agricultural Services Division was created to support and promote the viability of the agricultural industry in Montgomery County. Agricultural activities occupy about one-third of Montgomery County's Land Area. The County's diverse agricultural industry, which includes about *577* farms and *350* horticultural enterprises, produces more *than $252* million in economic contribution and employs more than *10,000* residents.

Agricultural Services works to increase the public's awareness of the value and economic impact of agriculture. In order to preserve working farmland, Agricultural Services is responsible for the administration of a variety of agricultural and conservation easement programs. Programmatic and administrative Support to the Division is provided by County staff. This includes: the Division Manager, the full time Farmland Preservation Program Administrator, and two part-time Administrative Support Staff personnel.

The Division works to enhance program coordination to achieve greater communication, including financial and programmatic assistance with the Maryland Departments of Agriculture and Natural Resources, the U.S. Department of Agriculture, and various other State and County agencies.

Agricultural Preservation Advisory Board

To oversee the public policy for agricultural preservation, Chapter 2B of the Montgomery County Code provides for the establishment of an Agricultural Preservation Advisory Board (APAB). This Board, appointed by County Executive, and confirmed by the County Council, is comprised of 5 members (2 non-farmer members and 3 farmer members) each serving 5 year terms.

The role of the APAB is to promote the preservation of agriculture within the County. In general the APAB provides advice and recommendations for establishing Agricultural Districts, sets priorities for easement acquisition, provides guidance for setting program policies, and makes recommendations on proposed regulations as well as mediation for certain review and approvals for easement servicing (i.e. agricultural subdivisions, children's lots, land use requests and acreage adjustments).

Farmland Preservation Programs:

1. ***The Maryland Agricultural Land Preservation Foundation (MALPF***) was established in 1977 by the State Legislature as a result of concern over decreasing farmland acreage caused by development. Through *FY2005, 3,594* acres of farmland has been protected by this program within the County. The MALPF purchases agricultural land preservation easements directly from landowners for cash. Following the sale of the easement, agricultural uses of the property are encouraged to continue.

The MALPF program works in two steps. The first step is the voluntary creation of an agricultural district by the landowner which must comprise *50* acres or more. Agricultural districts are recorded among the land records and remain in force for a minimum of *5* years. Once established, the sale of an agricultural easement to the State can occur. Landowners retain title to the land and can sell the property in the future, however; future development of the property is limited to agriculture. *There are program changes to the Agricultural District requirement being proposed which may give local government the option of phasing out and eventually eliminating the need to establish Agricultural Districts.*

In order to determine the value of an easement, the MALPF employs the use of two fair market appraisals. The two appraisals are then averaged to arrive at the Fair Market Value of the property. Once the "Fair Market Value" is determined, the Restricted Value or "Agricultural Value" must be established. The restricted or "Agricultural Value" is generally considered to be the value of the land that remains once the development potential has been restricted from the easement property. In other words, since the development potential has been restricted, the highest and best use for the easement property would be reduced to those uses associated with agricultural production and, therefore, the sales price would reflect the lower restricted "agricultural" value. Typically, an easement under this program can be settled within *12 - 24* months.

Determining Easement Values under the Appraisal-Based Method

Once the "fair market value" and the restricted/agricultural value are established, the calculation for determining the maximum easement value is straight forward. By taking the "fair market value" as determined by the appraisal, and subtracting the restricted/agricultural value, the sum becomes the Maximum Easement Value that MALPF will pay.

Fair Market Value (FMV)	-	Restricted/Agricultural Value	=	Maximum Easement Value

Due to intense competition for various program dollars, a landowner may elect to offer/accept a lower easement value in order to place the property in a higher ranking for easement acquisition. This is called a *"Discounted Easement Offer."* By electing to receive a "discounted easement offer", a landowner improves the chances of receiving an easement purchase offer.

The Chart below details a summary of MALPF Acquisitions for *FY2001* through *FY2005*
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MALPF Acquisition Summary
FY02-FY05 Program Cycle

Landowner	MALPF Program Cycle	Acres	FMV/Acre	Max Easement Value/Acre	Discounted Easement Offer/Acre	Discount Value
James & Meg Evans	FY02	234	4,995	4,195	3,700	$115,830.00
Cross Farm LLC	FY03	100	6,100	5,460	4,250	$121,000.00
Cerino et al	FY03	109	5,300	4,506	3,700	$87,854.00
Stabler et al	FY03	193	5,300	4,506	3,850	$126,608.00
Carlin Farm LLC	FY03	130	5,300	4,505	3,900	$78,650.00
Laney	FY03	12	4,402	3,608	3,608	$0.00
MDR Friendly Acres	FY04	109.539	5,000	4,215	4,215	$0.00
MDR Friends Advice	FY04	150.97	5,100	4,313	4,300	$1,962.61
MDR Friends Ahoy	FY04	231.07	5,000	4,213	4,100	$26,110.91
Bernard Mihm	FY05	272.84	5,200	4,406	3,900	$137,045.04
		1,542.42	**5,170**	**4,393**	**3,952**	**$695,060.56**

In general, values for settled easements under this program have typically averaged from about *$3,600* per acre upwards to *$4,300* per acre. It is important to note that the values paid for MALPF easements as noted above, represent a landowner's discounted easement offer and that in light of recent increases in land values, it is highly likely that higher easement values for MALPF easement purchases will result.

2. Montgomery County Agricultural Easement Program (AEP)- Established in 1987, this program gives the County the ability to Purchase agricultural land preservation easements to preserve land for agricultural production. Lands eligible for participation in this program must be zoned Rural, Rural Cluster, or Rural Density Transfer, or subject to land being designated as an approved State or County Agricultural Preservation District. The program was created to increase both the level of voluntary participation in farmland preservation programs and expand the eligibility of farmland parcels. Through *FY2005*, *6,799* acres of farmland have been protected by this program.

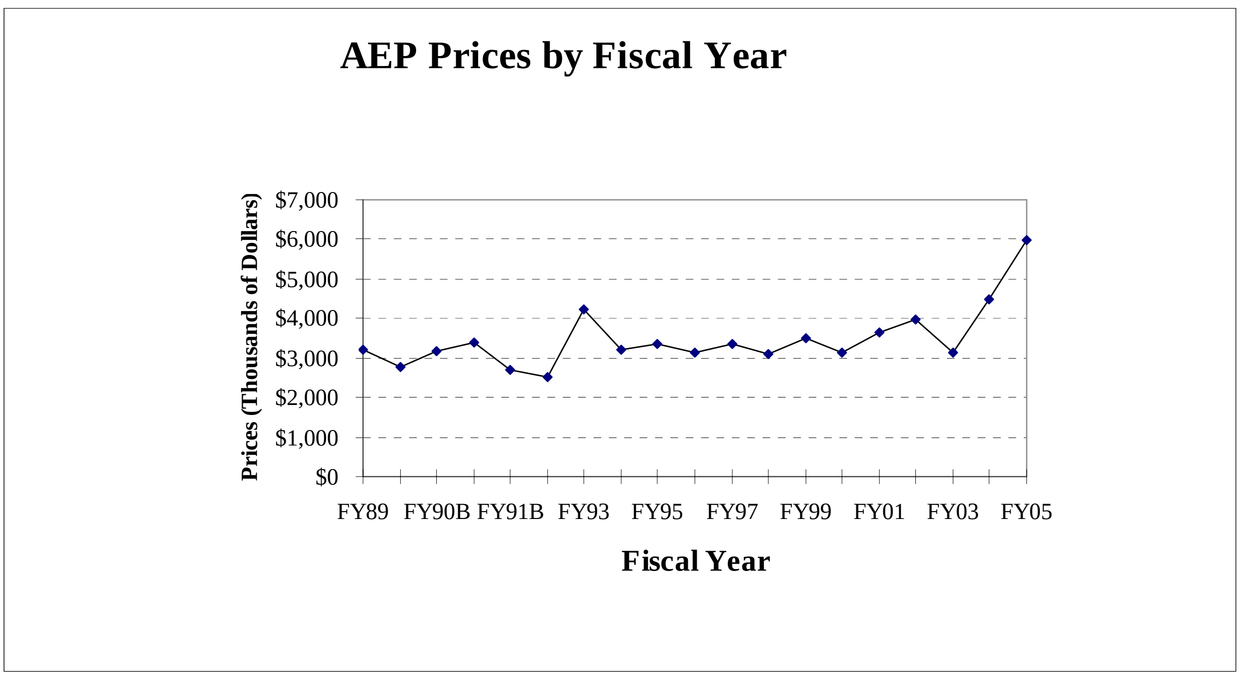
In addition, beginning in *FY91*, Montgomery County implemented a change in the Executive Regulation, 66-91 "Agricultural Land Preservation Districts & Easement Purchases" which enabled the County to create, acquire and account for Transferable Development Rights (TDRs) as a part of the easement acquisition process. The TDRs created through the easement acquisition process are held by the County and represent an asset with the potential to be a source of future revenue for the program. Through *FY2005*, the County has acquired *737* Transferable Development Rights in association with the County's AEP program.

This program has provided the means by which the County can more effectively achieve its farmland preservation goals by targeting exceptional and/or key properties for preservation. Since the funding for this program is not dependent upon the availability of State matching funds, the County can respond more efficiently to landowners needs, typically settling easements within *6 to 10* months.

Determining Easement Values For AEP

An important feature of this program is that easement values are determined by using an added value formula. The added value formula method attempts to put in place a numerical scoring system that evaluates the suitability of the property for agricultural use. Added value formulas can also be used as a mechanism to rank properties in order of their priority for easement acquisition. These formulas “add value” to a calculated easement price base upon the extent of coverage that exists for each attribute being evaluated under the formula.

It is important to recognize that one of the strengths of an added value formula system is that it can be tailored to suit local priorities for agricultural land preservation. For example, some of the attributes used to quantitatively assess easement value under the added value formula include: farm size, soil quality, road frontage, farmer land tenure, land stewardship and farm location in relationship to other non agricultural zoned areas. Another strength of the added value formula, is that it reduces the costs and time to complete easement acquisitions when compared to the appraisal method. In some instances, time is of the essence and an easement must be negotiated and settled in a relatively short time period. Added value formulas provide this flexible benefit over the uncertain appraisal method. The process is more streamlined and straight forward and, therefore, we have found landowners are more likely to accept values determined under this method.



Making use of an added value formula is not intended to replace the appraisal method. There may be some circumstances where an appraisal method is more appropriate to use. Appraisals are also critical in the calibration of the added value formula method, as they provide a system of checks and balances to ensure the formula method is adequately evaluating the value of agricultural or conservation easements.

Since program inception in 1987, modifications have made several times to the formula's base value. This can be attributed to rising fair market values of farmland verified by certified appraisals conducted as a part of the Maryland Agricultural Land Preservation Foundation (MALPF) program. This analysis provided the supporting documentation which resulted in the County Executive's recommendation to increase in the County's added value formula base value. These adjustments were made so that the added value formula could be properly calibrated to value farmland for easement acquisitions and ensure AEP easement values are in line with values established by other easement programs. Outlined below is a summary of the adjustments to the AEP Base Value over time.

History of AEP Base Value

FY	Base Value/Acre
1989	$700 per acre
1991	$750 per acre
1999	$800 per acre
2004	$900 per acre
2005	$1,500 per acre (1st 6 months FY05) $1,700 per acre (2nd 6 months FY05)
2006	$1,700 per acre

Easement applications are received by the County during open purchase periods corresponding to the fiscal year and then ranked. Easement acquisitions are ranked in order of the amount by which the landowner's offer price is lower than the maximum easement value as determined for each easement. Under this program easement values may range from *$1,700* per acre to *$5,900* per acre.

3. Montgomery County Rural Legacy Program (RLP)- In 1997, the Rural Legacy Program (RLP) was enacted as part of the State's Smart Growth and Neighborhood Conservation Act. This State program provides competitive grants to Counties/Sponsors for preserving areas that are rich in agricultural, forestry, natural and cultural resources which, if protected, will promote a resource-based economy, protect greenbelts and greenways and maintain the fabric of rural life. Through *FY2005, 3,935* acres have been protected by this program. As with the County's AEP program, the Montgomery County Rural Legacy Program provides the mechanism for the County to create, acquire and account for Transferable Development Rights (TDRS) as a part of the RLP easement acquisition process. The TDRs created through the easement acquisition process are held jointly by the State/County and represent an asset and potential source of future revenue for the program. Through *FY2005*, the State/County has acquired *323* Transferable Development Rights through the County's RLP program.

Determining Easement Values For RLP

As with the County's AEP added value formula, easement values for the RLP program are determined by using a formula or "Easement Valuation System" (EVS). In some cases however, limited use of fair market appraisals may be employed to help arrive at RLP easement values.

The EVS evaluates all properties on the basis of 4 resource protection criteria and they are as follows:

1. Development Rights (base point value) - The EVS evaluates the development right potentials on any parcel and a value is determined based upon the number of development rights extinguished by the conservation easement.

2. Land and Land Management - The EVS also evaluates a farm based upon its size, proximity to other protected lands, soil quality, land stewardship, and landowner investment that contributes to local resource-based economy. Once determined, a value is established for this part of the EVS.

3. Natural Resource Features - An analysis of the existing and future potential for protection of natural resource features on proposed RLP acquisitions are conducted in this part of the EVS. These features include: Buffer and buffer establishment, wetlands and aquatic resources, rare, threatened and endangered species, special biological communities as well as conservation of other wildlife habitat. As with the previous sections, a value can be established within the EVS for these special protection features.

4. Other RLP Area Specific Features - The EVS can also be used to evaluate the historical, cultural, and recreational resources of a property, the protection of scenic viewsheds, proximity to the agricultural zone edge and municipal boundaries, as well as, the extension of greenbelts, a response to development pressures and other easement acquisition issues.

As stated previously, it is necessary to make modifications to formula based valuation systems to ensure that it is properly calibrated to value properties for easement acquisition. Since program inception in 1998-99, modifications have been made to the RLP EVS formula's base value. These adjustments were made so that the RLP EVS formula could be properly calibrated to value farmland for easement acquisitions. Below is a summary of the history of the adjustments to the RLP Base Value.

History of RLP Base Value

FY	Base Value $ per point
1998/99	$4.56 per Point
2002	$5.50 per Point
2004	$7.50 per Point
2005/2006	$10.00 per Point

Lands must meet certain eligibility criteria in order to qualify for funding under the RLP program. These include a requirement of the farm to be located within or directly adjacent to State approved Rural Legacy Areas, implementation of total resource management plans, completion of an environmental inspection and/or completed survey or certified metes and bounds property description. In addition, a landowner must submit a Letter of Intent detailing an interest in participating in the program. Once this is completed, property evaluations are completed and an estimated easement value will be determined by the RLP EVS formula.

Properties that are considered for this program can be evaluated for funding through one of two scenarios:

1. Inclusion in the annual grant request to the Maryland Department of Natural Resources;

2. Added to the listing of eligible properties, approved by the State, if current RLP funds are still available.

Once a property is determined as being eligible and a landowner has accepted the calculated easement value, title is ordered for the property and a Rural Legacy Contract of Sale is executed by the landowner. Execution of an RLP Contract of Sale initiates the development of a Project Agreement that is submitted to the State Board of Public Works (BPW). Once approved by the BPW, the Rural Legacy Easement can be settled. Under this program, easement values may range from *$3,500* per acre to *$6,000* per acre and can take between *8 to 12* months to complete settlement.

4. Maryland Environmental Trust (MET)- was established by the State Legislature in 1967 to encourage landowners to donate an easement on their properties. In return, landowners are eligible for certain income, estate, gift, and property tax benefits. A donated conservation easement to MET protects natural resources and preserves scenic open space including farm and forest land, wildlife habitat, waterfront, unique or rare areas and historical sites. A landowner who donates a conservation easement limits the right to develop and subdivide the land, now and in the future, but still retains title to the farm. By accepting the easement, MET agrees to monitor it forever to ensure compliance with its terms. Through *FY2005*, a total of *2,086* acres have been protected by this program.

The value of an easement gift varies. Generally, the more the easement restricts the uses of the property, the higher the value of the gift, and hence the higher the tax deduction. To determine the easement value, the land must be appraised at both its fair market value (FMV) without the easement restrictions, and its fair market value with the easement restrictions or restricted value (RV) in place. The difference between the FMV and the RV is the easement value, from which the tax deductions are derived.

4. Montgomery County Transferable Development Rights (TDR) Program -

The Transfer of Development Rights (TDR) program allows landowners to transfer a development right from one parcel of land to another parcel. For agricultural land preservation, TDRs are used to shift development from agricultural areas ("TDR sending areas") to designated growth zones or ("TDR receiving areas") which are located where we have public services. When rights are transferred from a parcel within the designated "TDR sending area," the land is restricted by a permanent TDR easement. The land to which the rights are transferred are called the "receiving area." A TDR program represents the private sector's investment in land preservation, as the price paid for TDRs are negotiated between a landowner and a developer. A developer who purchases TDRs is permitted to build at a higher density than permitted by the "base zoning." The funds paid for a TDR by the developer to a landowner creates a wealth transfer from the developed areas back into the rural economy.

Established in 1981, Montgomery County's TDR program was developed as part of the Functional Master Plan for the Preservation of Agriculture and Rural Open Space. Through *FY2005*, over *48,584* acres have been protected by this program. This Functional Master Plan created the 93,000 acre Agricultural Reserve. Prior to the creation of the "Ag Reserve," the Rural Zone designation allowed for lands to be developed at a density of 1 unit per 5 acres. The adoption of the Functional Master Plan, created the "Agricultural Reserve", and rezoned to the Rural Zone to the Rural Density Transfer Zone (RDT). The primary purpose of the RDT zone is to protect the farmland in the Agricultural Reserve from further fragmentation. Development in the RDT zone is limited to one dwelling per 25 acres. However, the property owner has the right to sell "development rights" or "TDRs" from their land based on the density of the prior Rural Zone (one unit per five acres) for use on properties in other areas of the County specifically designated on area master plans to accommodate higher density.

The calculation for TDRs on a RDT zoned property is based upon the previous Rural Zone designation. This was done in an attempt to provide a compensation mechanism to rural landowners impacted by the down-zoning. The calculation for TDRs was developed as the vehicle by which a portion of the lost equity could be partially recovered on the lands that were subject to the down-zone.

It is important to distinguish the difference between the TDRs that must be retained on a sending area property in order for the land to be developed in accordance with the 1:25 zoning designation from TDRs that can be transferred for use in designated TDR receiving areas. These "retained" TDRs are referred to as "the Development TDR" and must be present for properties to be developed in accordance with zoning. For example, a 100 acre farm, for the purpose of calculating TDRs, has 20 TDRs that are available; however 4 TDRs must be kept with the land if a landowner intends to construct dwellings at the 1:25 rate. The 4 TDRs that are retained, represent the "Development TDR." By contrast, the remaining 16 TDRs that can be sold to developers for use in designated County receiving areas are referred to as the "Transferable or Excess TDR." These 16 TDRs can be sold to a developer without impacting a landowner's ability to develop in accordance with the 1:25 acre zoning designation. The sale of these TDRs represents the compensation mechanism for the lost equity resulting from the down-zoning.

Furthermore, once a TDR is transferred or severed from the property, the current zoning density designation is then frozen or "locked in" at 1 unit per 25 acres permanently or in "perpetuity" and a permanent easement is recorded among the land records to document this transaction.

The Montgomery County TDR program represents a good example of the private sector's investment in the preservation of farmland within the County. Since the TDR program's inception, over *$92* million dollars have been invested by the development community through the purchase of TDRs. This significant investment in farmland preservation creates a wealth transfer system by which financial resources within the urban/suburban corridors is transferred back into the rural areas.

While prices paid for TDRs are negotiated between a landowner and a developer, it is important to note that the value fluctuates year to year. Many things may influence value of a TDR, including classic supply/demand models, status of local economies, developer acceptance of TDR use, and willingness of landowners. One of the greatest influences on this value is the availability of adequate "receiving capacity" to accommodate the capacity of TDRs within the "sending area". During *FY1996*, the TDR Market hit a County average high of *$11,000* per TDR, however due in part, to insufficient receiving area capacity, the value of TDRs steadily declined.

After several years of declining TDR values and waning landowner participation, the Planning Board assembled a **TDR Task Force** to examine new innovative approaches to stimulate the program. The TDR Task Force completed their analysis and finalized their report during *FY2002*. These recommendations included:

- **Policy Tools -** In order to support the TDR program, the Master plan development process in all areas of the County outside of the Agricultural Reserve, must formally include the creation and/or expansion of TDR receiving zones, whenever any additional density is contemplated. Examples of policy tools are detailed below:

    1. Distinguishing between theoretical TDR use in receiving areas (based upon a gross acreage calculation) versus actual TDR use potential (based upon site constraints, forest conservation set asides and other factors which may limit full TDR use potential);

    2. Ensuring there is no net loss of receiving areas within the County;

    3. Exploring inter-jurisdictional transfers of TDRs;

    4. Use of TDRs in affordable housing models; and

5. The Coordination of Government and Non-Profit preservation initiatives.

- **Regulatory Tools**

  1. Changing the minimum TDR use requirement in receiving areas, by reducing the use requirement for properties of 20 acres or less to 25% of capacity when the TDR receiving zone density is 10 dwelling units per acre or more and the elimination of the TDR minimum use requirement for properties of 5 acres or less when the TDR receiving zone capacity is 20 dwelling units per acre or fewer;

  2. Allow relief from on-site afforestation when TDRs are used -*Balance the goals of the Forest Conservation Law with those of TDR receiving areas to implement an upfront planning process allowing for offsite mitigation*;

  3. Create TDR receiving versions of the CBD, Planned Development, Transit Station and Mixed Use Zones to use when they have existing or are designated for planned transit access; and

  4. Allow residential uses by right in certain commercial zones through the use of TDRs.

- **Information Tools**

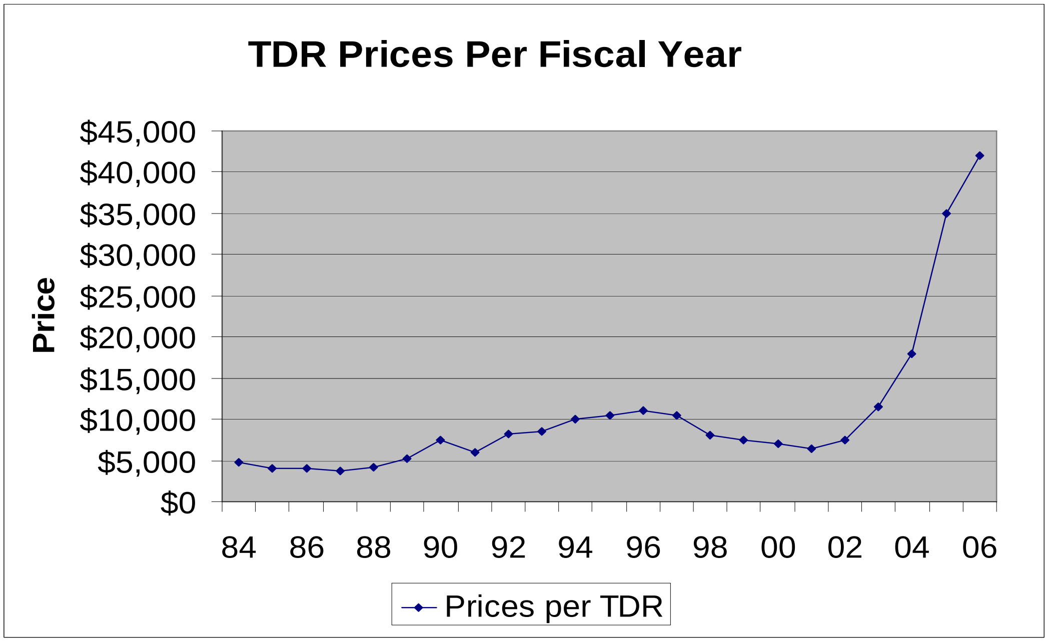
  1. Begin an annual TDR "countdown" tally and progress report, accounting for all deductions from the total remaining TDRs available for transfer in the RDT zone; (TDR Status Report August 2005)

  2. Implement an improved and simplified "tracking system" to determine TDRs retained for subdivision versus those that are sold;

  3. Revise the methodology used in generating the TDR Status Report; and

  4. Conduct a survey of property owners in the RDT Zone to provide information regarding the variety of easement programs available in the County. (September 20, 2004 letter)

The TDR Task Force report was approved by the Montgomery County Planning Board early in *FY2003*. Final approval by the Montgomery County Council is pending.



Over the history of the TDR program, the prices of TDRs have averaged from $5,000 per TDR to $18,000 per TDR. During the last quarter of FY03, and through FY05 there has been a steady demand for TDRs and it has resulted in all time increases in TDR prices. Currently, TDR values are ranging from about $35,000 per TDR upwards to $42,000 per TDR. The increased demand and prices for TDRs is attributed to development moving forward within receiving areas as part of the Clarksburg Master Plan. While this increased demand has created a "boom" market for TDRs, the overall prosperity of the market may be short lived. As the receiving areas within Clarksburg achieve their maximum capacity, the market is expected to wane once again. As the demand for TDRs reduces, so will the TDR prices developers will pay. As this trend occurs, greater importance for implementing the recommendations of the TDR Task Force Report will become evident. The County through updates in the Damascus, Olney and Shady Grove Master Plans have included use of TDRs in new receiving areas within these Master Plan Updates. While the expansion on the use of TDRs is encouraging, the County must promote the use of TDRs wherever feasible if the County is to reach its goal of protecting 70,000 acres of farmland by the year 2010.

6. **Montgomery County Legacy Open Space Program (LOS)-** While distinctly different from the Rural Legacy Program (RLP), the LOS program was established by the Maryland National Capital Park and Planning Commission in October 2000, the objective of this program is to conserve the County's most significant open spaces. The program identifies natural resources, open space, agricultural and historic lands for conservation and creates a comprehensive strategy to protect the County's "green infrastructure." Acquisitions can be both "In Fee" and through "Conservation and Agricultural Easements." While this program focuses on the protection of special, natural and environmental resources within 6 separate categories through the Legacy Open Space Master Plan, the only category directly related to farmland conservation is resource Category 5. This category is defined below:

Protection of Farmland and Rural Open Spaces (Resource Category 5) -

Implementation of this category will be accomplished through two initiatives.

- The first initiative will be to augment the County's Agricultural Easement Program (AEP) by providing direct funding from LOS into the Agricultural Easement Program.

- The second initiative directs LOS funds to supplement protection in the Agricultural Reserve through the funding of complementary easements which can be layered over AEP easements to provide additional protection and financial incentives to landowners for agreeing to implement certain conservation measures.

Through *FY2005*, no farmland has been protected within Resource Category 5 by this program. Priorities have been focused for in fee acquisitions concentrated within environmentally sensitive natural resources areas, water supply watersheds, heritage resources areas, urban open spaces and connectivity of greenways.

7. Conservation Reserve Enhancement Program (CREP)- As part of a partnership between the United States Department of Agriculture and the State of Maryland, this program was developed beginning in 1997 to focus attention on a streamside buffer restoration initiative which would protect water quality and critical wildlife habitat. This program consists of two parts. The first part is the contract phase:

- Under CREP, a landowner contracts with USDA through the Farm Service Agency (FSA) or Soil Conservation District (SCD) to take land out of production and install conservation practices adjacent to streams and waterways. In return, a landowner receives annual rental payments for a period of 10 to 15 years.

- Through May 2006, *a total of 51 farms* covering *1,909* acres are under active CREP contracts.

Implementation of the CREP Contract Phase

- The contractual agreement lasts for 10 to 15 years

- CREP Provides Annual Rental Payments based on Soil Types

- 87.5 % percent reimbursement for cost of installing conservation practices

The second part of this program provides an additional payment if a landowner is willing to permanently retire the lands under contract through a perpetual CREP conservation easement. This payment is in addition to the funds they receive under the contract phase of CREP.

Implementation of the CREP Perpetual Easement Phase

- While funding is currently suspended, a unique feature of this program is the optional bonus easement payment. This payment was provided by the State to landowners willing to voluntarily take sensitive lands out of production permanently. Under certain circumstances CREP easements can be layered over other protective easement programs (i.e. AEP, MET and RLP programs).

The optional bonus easement program has one major shortcoming. The values that are offered by CREP for easements to permanently retire cropland are too low. DED staff lobbied state officials extensively to reconsider the values established by the State by detailing the actual values paid under other easement programs, and values that reflected true agricultural land values based upon sales data. CREP program Staff were unwilling to adjust the values they had worked to get approved by the Board of Public Works (BPW). This lack of insight has undoubtedly led to poor program performance on the perpetual easement side of CREP. The only permanent CREP easement established within Montgomery County was on “Harrison Island” property which is one of the islands of the Potomac prohibited from development since it lies entirely within the 100 year floodplain. It is important to note, that the value paid for this easement was substantially higher as the value was negotiated by State Officials prior to the establishment of their BPW’s approved flat rate easement value.

On a positive note, the County is attempting to meet the objectives of the CREP program through the acquisition of *3,935* acres of Rural Legacy Conservation Easements. This program compliments CREP and draws from the same source of funds. It incorporates mechanisms to protect the natural resources by either maintaining or establishing a 65-foot buffer along both sides of the linear length of streams.

While one of the objectives of the Rural Legacy program is to promote the CREP program, landowners are given the option of choosing which program they prefer in order to implement the required riparian buffers. In all settled easements thus far, the landowners have chosen to implement the riparian buffer provisions through the Rural Legacy conservation easement and not through CREP. While CREP may not be the preferred vehicle by which riparian buffers are established and protected, the objectives of CREP are met through the Rural Legacy conservation easement provisions. Through *FY2005*, over *20* miles of buffers are permanently protected under the RLP (program.)

Farmland Preservation Easement Stewardship:

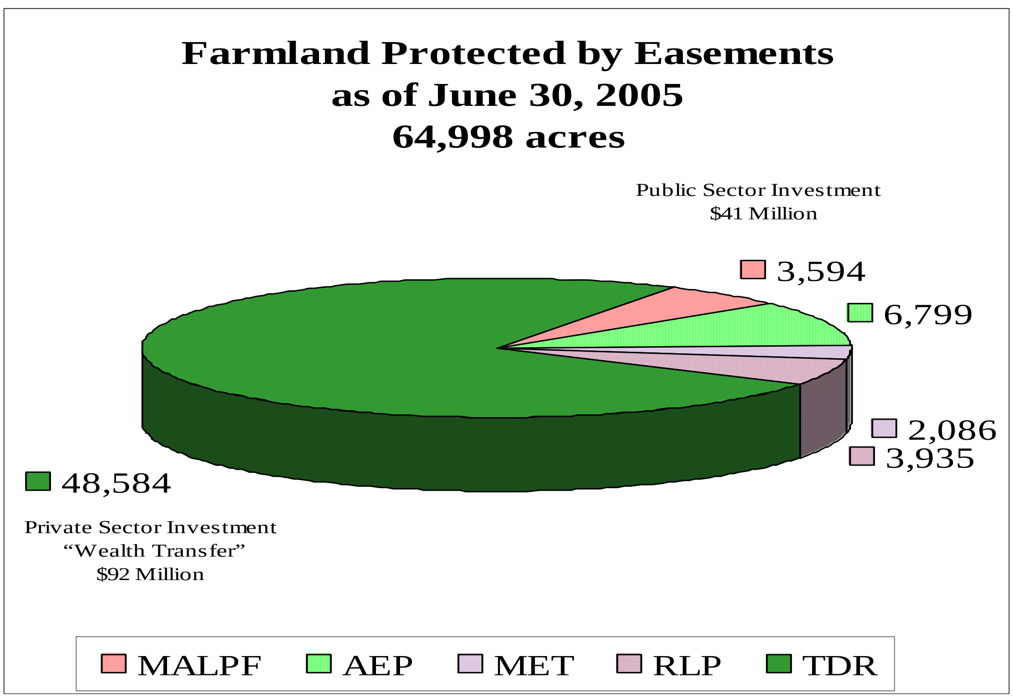
Once the land is protected by an agricultural or conservation easement, the job of protecting the land is far from over. All easement properties must be monitored to ensure landowner compliance with all of the easement covenants. As a part of the County's easement acquisition program, easement properties are inspected bi-annually. Staff conducts both formal and informal inspections of easement properties and meets with the landowners to discuss any findings. Staff will also assist landowners of easement properties in obtaining all approvals required for owner's and children's lots, soil and water stewardship requirements, management of forest resources, requests for agricultural subdivisions of land as well as other approvals that may be necessary as stipulated under the agricultural/conservation easement.

Easement stewardship is an ongoing requirement of any easement program and it will be necessary long after the last easement is purchased by the County or State. The dedication of local resources, including staff, must be provided to ensure the investment in the protection of the agricultural resources is achieved. This vital programmatic component will ensure that all citizens within the County are the beneficiaries of farmland preservation.

V. Program Accomplishments

During *FY2005*, Montgomery County was recognized once again by the national publication "Farmland Preservation Report" as the national leader in farmland preservation. Each year, the "Farmland Preservation Report" conducts a national survey that details the activities of states and counties that have active farmland preservation programs. This year, Montgomery County has once again attained the status of having the highest number of preserved acres than any county within the nation.

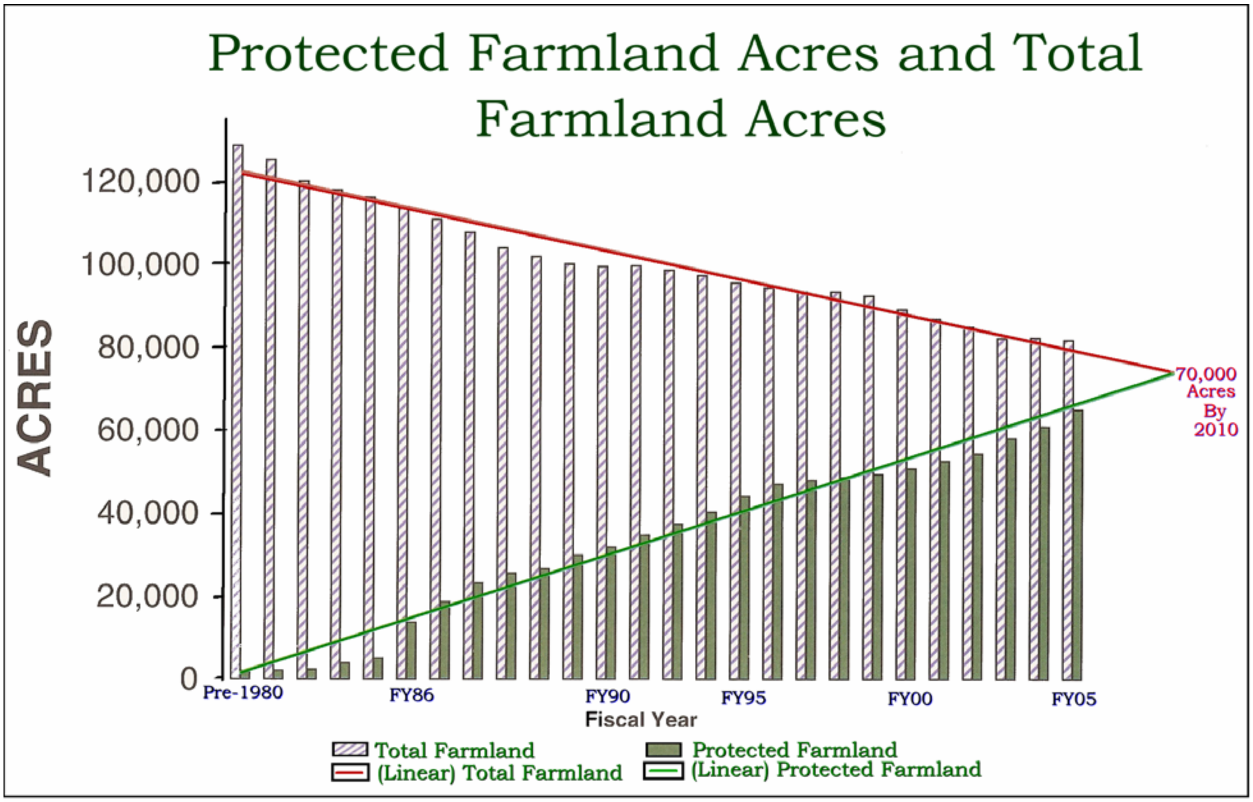
Through *FY2005*, Montgomery County has protected *64,998* acres of farmland through the preservation programs offered to its residents. The pie chart shown below, graphically illustrates the progress made by the County's preservation programs through *FY2005*.



Our accomplishments in farmland preservation have not gone without notice. As a County, we are asked on a continuing basis to help provide technical assistance to other jurisdictions across the nation that are in the process of developing farmland preservation programs of their own. We have conducted these outreach efforts for the sole purpose of expanding the farmland preservation knowledge base to ensure a future for agriculture across this nation.

Montgomery County has established a goal of protecting 70,000 acres of farmland. Through *FY2005*, the County is about *93* percent of the way towards reaching that goal and baring no major disruptions in public policy or funding, we will attain this goal by 2010.

Trend of Farmland Preservation vs the Development Trend



In order to reach our 70,000 acre goal by the year *2010*, we will need to protect an additional *5,002* acres. The chart on the following page, details the projected acres targeted for preservation by program for the fiscal years *06--2010*. It is our hope that we will continue to have farmers who are interested in protecting their lands through our voluntary farmland preservation easement programs, in lieu of selling their land for development purposes.

Projected Program Performance for
70,000 acre Goal
FY2006-2010

Preservation Program	Total for Acres FY80-2005	Projected Acres FY2006-2010	Projected Totals By Program
MALPF	3,594	942	4,536
AEP	6,799	836	7,635
MET	2,086	0	2,086
RLP	3,935	669	4,604
TDR	48,584	2,555	51,139
Total	**64,998**	**5,002**	**70,000**

We have recognized that as we approach our goal of protecting 70,000 acres of farmland, it has more difficult to preserve the unprotected lands that remain. The land we have protected thus far has become extremely valuable for development. The remaining unprotected agricultural lands are often directly adjacent to protected properties. Developers and real estate agents use our protected lands as another selling feature amenity that adds value to an unprotected property and encourages rural landowners to pursue development options. Rising real estate values will require diligence by program staff to ensure that valuation of farmland for agricultural preservation easements provides fair and equitable compensation for farmers. In the absence of fair and equitable values, the land will most likely convert to other land uses and be lost to preservation.

The importance of agriculture to the County has been well documented, agricultural activities occupy about one-third of Montgomery County's Land Area, as well as representing a diverse agricultural industry. With about *577* farms and *350* horticultural enterprises remaining, agriculture produces more than *$251* million in economic contribution and employs more than *10,000* residents. In order to ensure the protection of the 70,000 acres of production farmland, we may have to expand program policies and regulations to keep the preservation initiatives on track.

VI. Future Initiatives

The continued success of the County's farmland preservation initiative may be dependent upon our ability to make program adjustments in order to provide viable alternatives to landowners above and beyond development options. Exploration of innovative program changes, alternative funding sources, policy changes, regulatory relief, and the expansion of both private/public sector investments all may be required in order to reach our preservation goal.

Innovative Program Changes and Enhanced Farmland Preservation Programs

Action Item #1 - Modification of the County's AEP Program with Regard to TDRs and Easement Valuation

Montgomery County's Agricultural Easement program employs the use of an added value formula as the primary method for determining the value of an agricultural land preservation easement. Evaluations of previous TDR transactions are made and they influence the price that can be paid for these easements. As a part of this evaluation, the status of transferable development rights must be ascertained. If a property has transferred all TDRs from the property, then the farmland is not eligible to participate in AEP because no development potential exists. However if TDRs are retained which equate to density units that can be constructed on the property, the property can still be eligible for AEP.

Under existing APAB policy, the Agricultural Preservation Advisory Board (APAB) proposed changes to the November 2, 1989 policy for purchasing easements on properties with previous TDR sales. The APAB's Policy decision rendered on November 2, 1989 did not provide a fair and equitable AEP value to the landowner when compared to MALPF and RLP values for properties with similar circumstances and therefore, the APAB modified the existing policy so that a level the playing field was created in order for the County's AEP program to be more competitive and acceptable to landowners.

On October 14, 2003, the APAB recommended by a vote of 5-0 that the policy for easement sales involving previous TDR sales should be modified to reflect the TDRs policy under the County's Rural Legacy Program be applied to AEP applicants. The State of Maryland and the Rural Legacy Board approved as a part of our original grant application (FY98/99), the methodology for evaluating TDR easements that have been previously created and TDRs were conveyed from the property. The APAB Policy was modified so that the AEP program can evaluate lands in the same manner as RLP. This process is outlined below:

1. The Easement Valuation System (EVS)/AEP Added Value Formula will calculate the total easement value that represents an unencumbered easement value.

2. A deduction from the total easement value will be made for previously conveyed TDRs. The valuation of the previously conveyed TDRs will be made by one of the two methods outlined below:

- Landowner provides documentation of actual TDR sales (Contract of Sale, copies of checks, etc) supporting the value of the previous TDR sales. This amount will be deducted from the total easement value. This adjusted value will become the easement offer extended to the landowner; or

- In the absence of landowner's documentation, the County will establish the deducted value based upon the review of the properties title report to determine when the TDRs were created and conveyed. The County will then use this date, to compare it to the County average for TDR sales for that given year. The average TDR value will be multiplied by the number of TDRs created and verified by the title report. The sum of which, will be deducted from the total easement value and the adjusted value will become the easement offer extended to the landowner.

This Policy change was adopted by the APAB on October 14, 2003 and was intended to replace the policy adopted on November 2, 1989 and was applied to easement acquisitions beginning FY2004. Through FY2006, only 1 AEP easement property has been reviewed under this revised policy and therefore, the DED staff recommended another approach. Other agricultural easement programs (MALPF), which do not "penalize" property owners for creating and conveying the excess TDRs, have become popular while the County's AEP program activity continues to be static. Given these circumstances negatively impact staff's ability to attract new landowners to the AEP program, changes were recommended to regulations and modification of program policies to address these concerns.

Modification/Revisions to APAB Policy:

DED through consultation with the APAB and the County Attorney's Office felt given the complexity of the recommended changes, that it would be easier to repeal Executive Regulation 66-91 and promulgate new regulations. These newly adopted regulations would modify some aspects to aid in the implementation of the AEP program while developing an entirely new preservation tool known as the Building Lot Termination Easement (BLT) Program which will be discussed in a greater context in a proceeding section. Since there has been much debate among the various special interest groups, agricultural groups and government representatives regarding many agricultural initiatives (including the BLT), significant delays in the promulgation of the new regulation is anticipated.

In recognition of these delays and in advance of promulgating new regulations which govern the administration and implementation of local agricultural easement purchases, the APAB considered those components which could be implemented by changes in APAB policy. In addition, the significant delays that are anticipated with the promulgation of the new regulations will negatively impact our ability to utilize agricultural transfer taxes in a timely manner. The APAB believes that these recommended changes were necessary to help the County expend our FY07 budget appropriation of $6.7 million which will begin on July 1, 2006 and the FY08 budget appropriation of $5.0 million which will begin on July 1, 2007. This total appropriation totals over $11.7 million that must be expended over two years. The timely expenditure of these funds are critically important because the collections of Agricultural Transfer Taxes must be used within 3 years of the collection, or the opportunity to use these funds for preservation is lost and they must be remitted back to the State.

Therefore, the APAB considered those modifications which are necessary for the AEP program which could be implemented by a change in APAB policy in advance of the adoption of the new regulation. These changes provide a mechanism to purchase AEP easements in a manner that also is consistent with another State program (Maryland Agricultural Land Preservation Foundation (MALPF). It is important to recognize that MALPF, through the use of Fair Market Appraisals, establishes a Fair Market Value based on highest and best use which is calculated based upon the zoning of the property. MALPF does not financially "penalize" a landowner who has created and conveyed TDRs from the property so long as the landowner has retained at a minimum 1 TDR for every 25 acres. The APAB consider the implementation of this new approach and is detailed below:

TDR evaluation for AEP Easements

The APAB adopted a policy by which the County may purchase easements on land that is already encumbered by transferable development rights easements. The County will evaluate the status of TDRs retained with the property and differentiate between the TDRs retained for development versus "Excess TDRs" available for transfer within receiving areas.

At a minimum, a landowner must have retained TDRs with the land at the density of 1 TDR for every 25 acres to remain eligible for the maximum benefits under this program. The maximum value of an easement as determined by the AEP formula will take into account the number of TDRs retained with the property. At a minimum, 1 TDR per every 25 acres must be retained with the land in order to be eligible for the Maximum Easement Value calculated by the program's added value formula.

If a landowner has excess TDRs, these TDRs must be created prior or simultaneously to the recordation of the AEP Easement. The County will only take title to the TDRs that are associated TDRs associated with actual development potential, minus any TDRs that must be retained for existing dwellings or certain rights reserved in accordance with the easement (owner's/children's lots).

This approach is incentive based and does not penalize landowners for creating/selling TDRs that were granted as equity compensation resulting from the down-zoning in 1980. Given that over 48,000 acres are protected by TDR easements, this approach will provide the County an opportunity to further protect lands encumbered by TDR easements by reducing the density beyond the 1/25 acre threshold.

To further support the importance of this approach, it is imperative to understand the history and circumstances of MALPF acquisitions within the County. From FY1981 through FY1986, MALPF purchased a total of 8 easements (A 5 year period). Then for a 15 year period of time, beginning in FY1987 through FY 2001, MALPF only purchased 2 additional easements for a total of 10 easements over 21 years. Beginning in FY2002, MALPF acquired its first easement where only the development TDRs were retained with the property. The fair market appraisal did not penalize the landowner financially for the TDRs that were previous created and conveyed. The appraiser evaluated the property's value based upon its highest and best use of 1 TDR for every 25 acres. With the purchase of this easement, DED has been able to successfully promote the MALPF program on properties where only the development TDRs are retained. In a 4 year period (FY02-05), MALPF has purchased easements on 10 properties, with and additional 4 acquisitions which are pending. What is impressive about this milestone is that we as a County have accomplished the same number of MALPF easements (10) in a 4 year period, then the 10 easements that were settled over the previous 21 years. This clearly is a success as we continue to see landowners moving towards the MALPF program. We would like to promote AEP in a similar fashion and offer County landowners an alternative to the MALPF program which is competitive as well as fair and equitable.

Action Item # 2 - Modification of the County's Added Value Formula

The APAB also considered the changes that are being recommended for the new regulations which will help expand the system by which points are awarded under the added value formula. The APAB recognized these changes will likely require action by the County Council as part of the regulation promulgation process and implementation of these changes will also be delayed. These specific recommended changes are outlined below:

Changes to the AEP Added Value Formula

Staff also recommends the APAB adopt certain changes to parts of the added value formula valuation system. These changes provide greater flexibility in valuing the easements as well as considering an opportunity for landowners to extend long term leasing agreements with the local farming community. These changes are outlined below:

- Modification of the Land Tenure component to include consideration for point value when the land is being farmed by an operator under a long term lease agreement with the landowner.

- Modification of the Agricultural Zone Edge component to include the maximum point value award when a property inside the RDT zone is within one (1) mile of the border with other zones in the County, including incorporated towns.

We believe the expansion of the land tenure component will provide a financial incentive by which long term leasing agreements can be executed between the rural landowner and the farm community. In addition, it is also time to expand the Agricultural Zone Edge component from 1/2 mile to 1 mile. Since 1989 this has not changed and we believe the time has come to now consider expanding the zone edge requirement. This approach provides another financial incentive which we hope will attract more landowners into this program. We have purchased 17 easements under AEP that are located within 1/2 mile of the RDT zone border and this enhanced value has lead these properties preservation because we could offer a higher easement value in recognition of a greater threat of development.

Action Item # 3 - Changes to Owner's and Child Lot Provisions within the Regulation

Under an easement, the grantor of an Agricultural Preservation Easement or Agricultural District retains certain rights to construct dwellings needed on the farm. The grantor must apply in writing to the Agricultural Preservation Advisory Board for approval to use. The APAB recommends the following changes relating to any release executed for an owner's lot or child lot under the program:

- Any release or preliminary release issued under this regulation shall include:

  i. A statement that the owner’s or child’s lot may not be transferred for 5 years from the date of the final release, except on:

     1. Approval by the Agricultural Preservation Advisory Board (APAB); or

     2. a lender providing notice to the APAB of a transfer pursuant to a bona fide foreclosure of a mortgage or deed of trust or to a deed in lieu of foreclosure.

It is important to note that in 2003, the MALPF changed their regulations to regarding releases for owners and children's lots to reflect a similar restriction on transfers. We believe the recommended changes as outlined above is consistent with the State program and would provide the County greater protection from potential abuse. It is important to note that a similar restriction is being deliberated by the Planning Board with regard to children's lot rights provided under zoning.

Action Item #4 - Continued Enhancement of Easement Formula Base Value to keep Pace with Rising Land Values:

As Montgomery County approaches residential build out, the pressures that will be placed upon farmland will become intense. Rising fair market values on tillable farmland continue to increase at a steady pace. This trend is attributed in part by the extent of land that has been protected within our agricultural reserve. With about 65,000 acres of land already protected, the land that remains becomes extremely valuable for development.

The County may have to explore further enhancements to its added value formula in order to keep pace with the rising land values. Each year, the Agricultural Preservation Advisory Board makes a recommendation to the County Executive on establishing the added value formula base value. We may have to be more aggressive in making adjustments to the formula on a regular basis so that the valuation of agricultural easements are fair and equitable to both the County and the landowner.

Enhanced Farmland Preservation Programs:

Action Item # 5 - Building Lot Termination Program (BLT)

The purpose of the Building Lot Termination Program (BLT) is to develop a new mechanism that will enhance the farmland preservation programs and initiatives offered to the County's farmers and rural landowners. This new initiative will focus on specific ways to encourage the preservation of farmland owned by individuals that have decided, for a variety of reasons, to not protect or encumber their farms through the easement programs that are currently available. To accomplish this objective, this new initiative must carefully evaluate all of the specific reasons for non-participation in our existing preservation programs and attempt to address them by either creating a new program and/or modifying existing programs. In this way, the County will better address the needs of farmers and rural landowners and simultaneously work towards completion of the 70,000 acres Farmland preservation goal by the year 2010.

At present, the County has 65,000 acres encumbered by these easements and this acreage represents over 93% of the farmland preservation goal of preserving 70,000 acres by the year 2010. The remaining 5,000 acres or 7% has proven to be the most difficult and the most expensive properties to protect and, therefore, the BLT program may be recommended as a new tool as we look toward the future protections of land within the Ag. Reserve.

Several agricultural organizations have discussed the situation of escalating real estate values of rural land transferring in the market and they are suggesting that a new approach for farmland preservation participation may be needed in view of these trends. These discussions have contributed to the Department of Economic Development Agricultural Services Division laying a foundation for this new approach and outline exactly how it would work. The challenge for staff is to develop a strategy and specific programmatic procedures that will be conducive to the programs already in place or perhaps modify them altogether to improve their effectiveness.

The increasing fair market values of farmland in Montgomery is well documented over the past 25 years. In 1980, the Ag. Reserve Master Plan stated that growing values of farmland were making it difficult for farmers to purchase land for farming. While this situation also holds true today-the average fair market value of farmland has continued to increase from $3,500 per acre in 1980 to over $10,000 per acre in 2005. As this trend continues to grow, it provides opportunities to landowners in appreciating the equity they have in the land by selling the farm for development. This factor represents a realization whereby the farmer's most valuable and most important asset is the farmland itself. The County Government approved the Legislative Act of January 6, 1981 which created the RDT Zone including the ability for landowners to develop their properties at a density of one house per twenty-five acres. This density represents the foundation for determining the equity in the land. And while this RDT Zone has been extremely effective since 1980 in reducing the level of residential development in the rural regions of the County, there are a growing number of residents that are objecting to the permissible density as authorized in accordance with the zoning laws of the County Code. In view of the growing concerns voiced by rural residents coupled with the increasing demand and fair market values of farmland in the County, a new approach/proposed program has emerged.

The proposed "Building Lot Termination" program (BLT) concept will likely involve an initial investment by the public sector to fund this initiative. It is hoped that eventually, this investment can be transitioned into a private sector investment. The concept would evaluate the development options available in the agricultural reserve. Staff would negotiate with private landowners to value each building lot for the purpose of eliminating all or some of the permitted density. In exchange for eliminating the building lot, the landowner would receive compensation for each building lot eliminated. The County would benefit by additional easements at a time where real estate values have risen dramatically which has impeded progress with traditional programs. This in turn may help to provide greater protection of agricultural lands and help us meet our 70,000 acre preservation goal by 2010.

Impact of Tax Assessments on Farms Protected by Easements

Action Item #6. Recommend Policy Change that Limits Assessments on Protected Lands:

As the remaining undeveloped farmland increases in value, it is almost certain that the tax assessments will also increase and place increased financial burden on farmers.

This future concern is reflected in how these increased assessments will negatively impact the farmers ability to make a living in farming. This fundamental characteristic of Montgomery County contributed to the County's public policy for agricultural preservation which started in 1980 with the creation of the 93,000 acre Agricultural Reserve. Within the County's Agricultural Reserve to date, we have approximately 15,000 acres (excluding Transferable Development Rights) protected through agricultural and conservation easement programs that limit residential development. It is our view that since these farms will remain farms and not place demands on the County or State for public services, any increases in assessments should be prevented and thereby frozen at the time of the easement settlement date regardless of any infrastructure improvements that are made. This change in policy will ensure that historic and significant farm related structures are not demolished because they cost too much to retain.

Furthermore, if the increases in assessment value are inherently driven by the sales of farmland being developed in the marketplace, how can these comparable sales be used to determine the new assessment values for farms that cannot be developed? Until this question is answered, the State/County assessment policy will continue to be in direct conflict with the preservation goals of farmland and the agricultural industry.

In *FY2006*, we are going to work in partnership with State Officials to develop a new assessment policy for farmland protected by easements that is fair to all parties.

Expand Agricultural Economic Support Initiatives to Promote Farmland Viability

Action Item #7 - Explore Changes in County Code that Creates a Conducive Economic Environment for Agriculture

During FY03, the County Council, as a part of their efforts to increase declining County revenues, raised the tax on energy utilized within the County. This increase resulted in a tripling of the taxing rates established for both homeowners and commercial businesses. As an unintended consequence of this action, agricultural producers found themselves subject to the triple increase at the commercial rate.

The agricultural industry is very important to the economy of Montgomery County and though it represents a significant economic contributor, it is fragile and subject to constant threats to its viability. As operating costs continue to rise, the price farmers receive for their production efforts continues to dwindle. Prices paid to the farmer for various commodities have remained virtually unchanged over the past 50 years; however efficiencies in production have increased, which offset some of the price inequities. Since agricultural producers use tremendous amounts of energy, farmers have taken advantage of new technologies as a means to increase production efficiency which reduces costs and maximizes the return on the energy used.

In light of dramatic increases in cost of energy, the agricultural services division will work closely with the County Executive, County Council and the agricultural community in developing new strategies that may provide tax relief to the agricultural community from the increases in energy costs associated with agricultural production.

We must also explore changes to the Montgomery County Code in the area of the County's Agricultural Transfer Tax. Under current law, any farm to farm transfer outside of the

Rural Transfer Zone (RDT) is subject to the County Agricultural Transfer Tax up to a maximum of 6%. The tax can be assessed even when the State Agricultural Transferred Taxes are waived. We must ensure that farm to farm transfers are exempt from this transfer tax, regardless of the zoning of the property.

These efforts represent a few of the many steps the County will take to help maintain a sustainable agricultural industry within Montgomery County.

Expansion of the Private Sector and Public Sector Investment in Farmland Preservation.

As stated previously, in approaching our preservation goal, the more challenging the preservation of the remaining unprotected land will become. We must strive to adopt changes that will serve as incentives to foster greater participation in farmland preservation on the lands that remain. This includes the expansion of both the private sector and public sector investments in farmland preservation.

Action Item#8 - Implement TDR Task Force Report and Promote Urban Growth Areas:

Montgomery County's TDR program has long been admired nationally as the model for Transferable Development Rights programs. Many jurisdictions across this country have studied our example and worked towards implementing programs of their own. While we have benefited from this exposure, we have not been working aggressively enough to ensure its continued viability. Any program that has existed for over 20 years must be modified on occasion to enhance its effectiveness in meeting the needs of the citizens. The TDRs are responsible for protecting over 48,000 acres of farmland, which represents about 75% of the farmland preservation that has occurred thus far. This private sector investment exceeding $92 million has played a pivotal role in our public policy initiative.

We must continue to expand the use of TDRs within the County wherever possible and not continue to erode capacity that has already been approved within the various Master Plans. The County must also enhance planning and implementation efforts in our urban growth areas. By re-investing in our urban growth areas we can ensure that our citizens are exposed to livable and safe communities. To this end, the recommendations in the TDR Task Force Report must become a part of our future planning goals.

Action Item #9 - Revitalization of established Urban and Sub-Urban Communities:

In addition, the County must invest in our older developed communities. Recent studies have shown people are willing to pay more to live closer to where they work instead of the alternative of spending hours each day in traffic trying to reach their homes in the rural areas. Livable and safe communities are the key considerations, as well as, amenities like public parks, libraries, banks and shopping centers which are within walking distance to these communities. By providing these services in a safe community setting, the pressure to develop our rural and agricultural areas will be reduced and give the agricultural industry a fighting chance to survive.

Our efforts to protect Montgomery County's valuable agricultural, natural, and open space resources is helping to achieve the County's vision of balancing economic growth and vitality with the protection of extremely valuable agricultural and open space resources. This achievement has been accomplished through a multitude of initiatives which target farmland and open space resources. We are very fortunate to have farmers who are equally interested in protecting their lands and who have entered into voluntary farmland preservation easement programs.

The Winds of Change:

The agricultural industry within the County is constantly evolving. We must recognize that changing trends in agriculture are not unique to Montgomery County, nor is change a sign of demise of the agricultural industry. Changes are a normal part of an evolving market-driven system. The key for any industry to survive is dependent upon its ability to adapt to these changes. The County must be in a position to adapt to these changes as well. One of the main philosophies the County employs for farmland preservation is to protect the agricultural land base and let the industry focus on the direction it wants to go. We do not protect farmland for any particular type of agriculture activity or use.

If the County recognizes the importance of agriculture within its borders then government must assume the responsibility of recommending and implementing measures to ensure its survival. A key recommendation within the 1980 Functional Master Plan for the Preservation of Agriculture and Rural Open Space details on page iv is that there must be *"application of incentives and regulations to preserve farmland and rural open space and to encourage agricultural use of the land."*

These future initiatives and the decisions that are made will have a profound impact on the future of agriculture. We must ensure the next generation will be the beneficiaries of productive farmland and open space amenities. To this end we will have protected an important part of our heritage as well as enhancing the quality of life for all citizens of Montgomery County.

Summary of Appendices:

Appendix A: Montgomery County Agricultural Easement Program
(County AEP and State MALPF)
Actual Expenses for Pre FY 1989-2005

Appendix B: Montgomery County Agricultural Easement Program
(County AEP and State MALPF**)**
Revenue Collections/Expenses (Beginning with Certification)

Appendix C: Montgomery County Agricultural Easement Program
All Funding Sources (Local/State)
(County AEP and State MALPF and RLP)
Actual Expenses for Pre FY 1989-2005

Appendix D: Montgomery County Agricultural Land Preservation Map

Appendix E: Montgomery County AEP Program
Schedule of Revenue Received and Allocated by Fiscal Year

Montgomery County Agricultural Easement Program (County AEP and State MALPF)
Actual Expenses for Pre FY 1989-2005 **Appendix A**
September 2005

Fiscal Year	Easement Acres Purchased	Operating Expenses	Operating Expenses as Percent of Total Program Expenses	Easement Expenses	Easement Expense as Percent of Total Program Expense	AG Transfer Tax Expense	Allocation Investment Income	Total Program Expense
Pre1989	*1,678MALPF*	-	-	*$420,546*	-	*$420,546*	N/A	*420,546*
1989	0	$58,772	100.0%	0	0.0%	58,772	N/A	$ 58,772
1990	1,016 AEP	120,456	3.7%	3,178,628	96.3%	3,299,084	N/A	3,299,084
1991	1,105 AEP	111,150	3.1%	3,436,429	96.9%	3,547,579	N/A	3,547,579
1992	822 AEP	99,793	3.9%	2,458,548	96.1%	2,558,341	N/A	2,558,341
1993	447 AEP	96,874	7.8%	1,141,722	92.2%	1,238,596	N/A	1,238,596
1994	701 AEP	101,818	3.4%	2,900,854	96.6%	3,002,672	N/A	3,002,672
1995	400 AEP	125,166	8.5%	1,339,264	91.5%	1,464,430	N/A	1,464,430
1996	573 AEP *128 MALPF*	99,412	5.2%	1,798,585	94.8%	1,839,109 58,888 Private Contributions*	N/A	1,897,997
1997	66 AEP	125,185	36.0%	222,804	64.0%	313,190 +	34,799 =	347,989
1998	0	165,852	97.8%	3,675	2.2%	152,574 +	16,953 =	169,527
1999	*268 MALPF*	7,872	1.7%	455,105	98.3%	361,044 + 61,817 Federal FPP#	40,116 =	462,977
2000	514 AEP	0	0%	1,785,889	100%	1,614,757 +	171,132 =	1,785,889
2001*	624 AEP	4,068	.19%	2,151,252	99.81%	2,035,292 + 115,960 Federal FPP#	4,068 =	2,155.320
2002*	187AEP 234 MALPF	90,303	8.63%	955,566	91.37%	955,566 +	90,303=	1,045,869
2003*	223 AEP 523 MALPF	153,955	11.08%	1,235,359	88.92%	1,235,359 +	153,955 =	1,389,314
2004	491 MALPF	163,259	9.88%	1,489,083	90.12%	1,489,083 +	163,259 =	1,652,342
2005	121 AEP 272 MALPF 30.83 RLP	193,180	9.89%	1,760,441	90.11	1,760,441 +	193,180 =	1,953,621
Totals	6,799 AEP *3,594 MALPF* 3,935 RLP	$1,717,115		$26,733,750		$27,346,435 58,888* 61,817 # 115,960#	867,765	28,450,865

* A change in Investment/Interest Income Policy by OMB/DED by Memorandum dated August 15, 2003 directs Investment/Interest income to be used to fund 100% of the administration expenses associated with this project. The policy was applied retroactive to FY01 and FY02 resulting in the changes as noted above. Prior to FY2001, this policy allocated 10% annually.

a:aepactualexp2004(jan2005)

Montgomery County Agricultural Easement Program (County AEP and State MALPF)

Revenue Collections/Expenses (Beginning with Certification) **Appendix B**

	Ag Transfer Tax County	Ag Transfer Tax Total	Interest	Expenses	Acres Acquired
FY 1990	$2,475,994	$3,713,991	0	$3,299,084	1,016
FY 1991	147,181	196,242	0	3,547,579	1,105
FY 1992	197,016	262,688	0	2,558,341	822
FY 1993	533,960	711,947	0	1,238,596	447
FY 1994	934,322	1,245,763	151,356	3,002,672	701
FY 1995	1,400,765	1,867,687	192,295	1,464,430	400 (195 acres AFT)
FY 1996	1,041,580	1,388,773	187,230	1,839,109 Ag. Tax 58,888 Pri. Cont.	573 (128 MALPF)
FY 1997	364,210	485,613	151,989	313,190 Ag. Tax 34,799 Int. Inc.	66
FY 1998	401,491	535,321	169,733	152,574 Ag. Tax 16,953 Int. Inc.	0
FY 1999	1,016,102	1,354,802	174,051	361,044 Ag. Tax 40,116 Int. Inc. 61,817 Fed. FPP 462,977	268 (MALPF)
FY2000	2,846,362	3,795,149	264,176	1,614,757 Ag. Tax 171,132 Int. Inc. 1,785,889	514
FY 2001	1,605,855	2,141,140	408,208	2,035,292 Ag. Tax 4,068 Int. Inc. 115,960 Fed. FPP 2,155,320	624
FY 2002	2,132,485	2,843,313	167,940	955,566 Ag. Tax 90,303 Int. Inc. 1,045,869	421 (AEP/MALPF)
FY 2003	2,431,432	3,241,910	123,405	1,235,359 Ag Tax 153,955 Int. Inc. 1,389,314	746 (AEP MALPF)
FY2004	1,936,800	2,582,400	94,293	1,489,083 Ag Tax 163,259 Int. Inc 1,652,343	491 (MALPF)
FY2005	1,774,915	2,366,553	187,318	1,760,441 Ag Tax 193,180 Int. Inc 1,953,621	393 (AEP MALPF)
TOTALS	$21,240,470	$28,733,292	$2,271,994	$27,971,547	08/30/05

Agricultural Emergency Assistance Program (Ag. EAP) (Not included in total listed above)

FY 1998	67 applicants – 26,254 acres	$ 499,999.26 Int. Inc.
FY 2000	95 applicants – 36,703 acres	$1,000,000 General Fund

a:aeprevenueexp2004 (jan2005)

Montgomery County Agricultural Easement Program (County AEP and State MALPF and RLP)
Actual Expenses for Pre FY 1989-2005 — Appendix C

September 2005

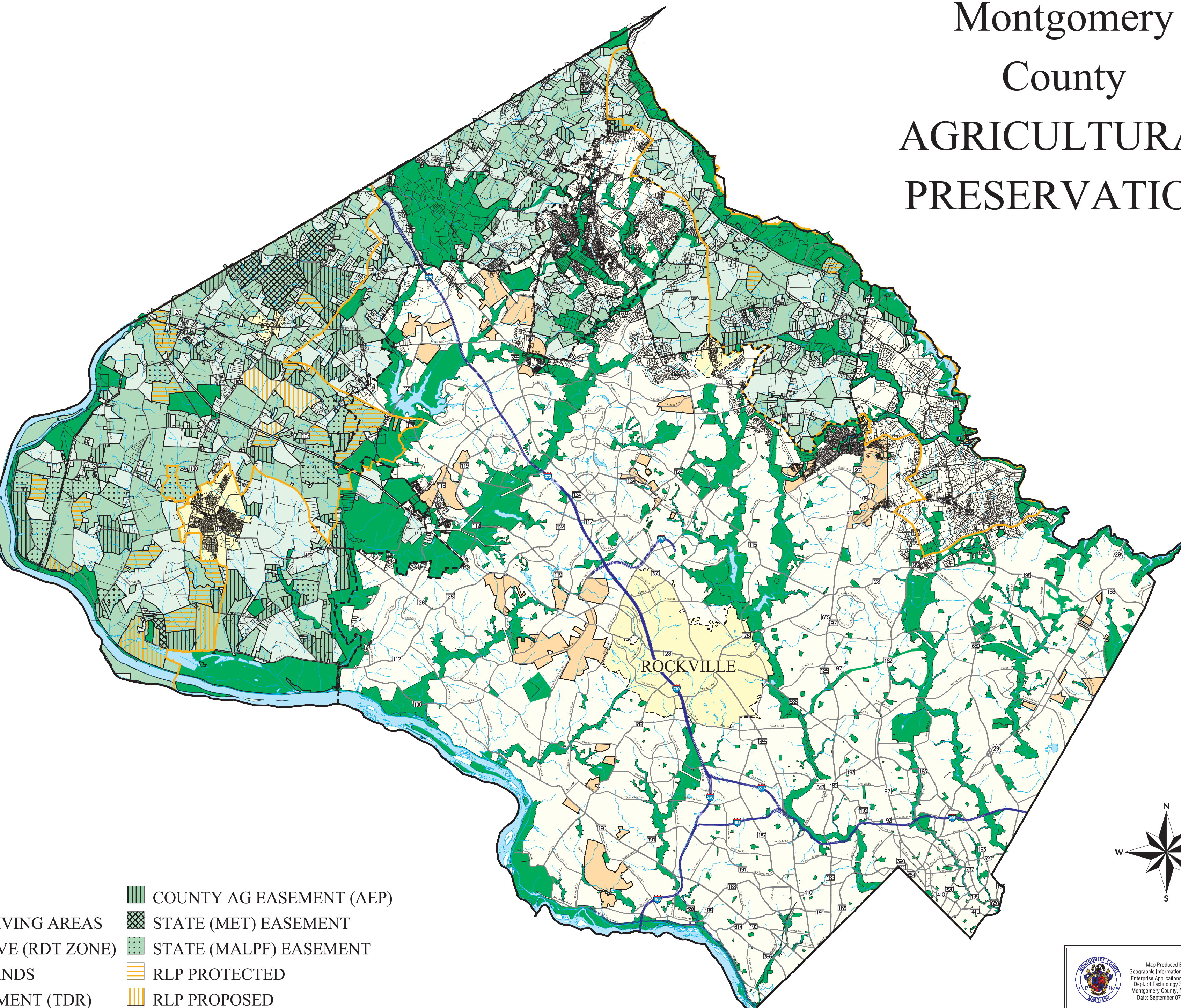
Fiscal Year	Easement Acres Purchased	Operating Expenses	Operating Expenses as Percent of Total Program Expenses	Easement Expenses	Easement Expense as Percent of Total Program Expense	AG Transfer Tax Expense	Investment Interest Income 10% Annually	Total County Program Expense	Total Rural Legacy Program Expense	Total Easement Program Expense
Pre1989	*1,678MALPF*	-	-	*$420,546*	-	*$420,546*	N/A	*420,546*	-	*420,546*
1989	0	$58,772	100.0%	0	0.0%	58,772	N/A	$ 58,772	-	58,772
1990	1,016 AEP	120,456	3.7%	3,178,628	96.3%	3,299,084	N/A	3,299,084	-	3,299,084
1991	1,105 AEP	111,150	3.1%	3,436,429	96.9%	3,547,579	N/A	3,547,579	-	3,547,579
1992	822 AEP	99,793	3.9%	2,458,548	96.1%	2,558,341	N/A	2,558,341	-	2,558,341
1993	447 AEP	96,874	7.8%	1,141,722	92.2%	1,238,596	N/A	1,238,596	-	1,238,596
1994	701 AEP	101,818	3.4%	2,900,854	96.6%	3,002,672	N/A	3,002,672	-	3,002,672
1995	400 AEP	125,166	8.5%	1,339,264	91.5%	1,464,430	N/A	1,464,430	-	1,464,430
1996	573 AEP *128 MALPF*	99,412	5.2%	1,798,585	94.8%	1,839,109	N/A	1,897,997	-	1,897,997
						58,888 Private Contributions*				
1997	66 AEP	125,185	36.0%	222,804	64.0%	313,190 +	34,799 =	347,989	-	347,989
1998	0	165,852	97.8%	3,675	2.2%	152,574 +	16,953 =	169,527	-	169,527
1999	*268 MALPF*	7,872	1.7%	455,105	98.3%	361,044 +	40,116 =	462,977	-	462,977
						61,817 Federal FPP#				
2000	514 AEP	0	0%	1,785,889	100%	1,614,757 +	171,132 =	1,785,889	-	1,785,889
2001	624 AEP 876 RLP	4,068	.19%	2,151,252	99.81%	2,035,292 +	4,068 =	2,155,320 +	$2,227,548 =	$4,382,868
						115,960 Federal FPP#				
2002	187AEP 234 MALPF 979 RLP	90,303	8.63%	955,566	91.37%	955,566+	90,303=	1,045,869 +	$2,890,746 =	$3,936,615
2003	223 AEP 523 MALPF 1,531 RLP	153,955	11.08%	1,235,359	88.92%	1,235,359+	153,955=	1,389,314 +	$6,046,246 =	$7,435,560
2004	491 (MALPF) 517 (RLP)	163,259	9.88%	1,489,083	90.12%	1,489,083 +	163,259 =	1,652,342 +	$1,313,617 =	$2,965,959

September 2005

Fiscal Year	Easement Acres Purchased	Operating Expenses	Operating Expenses as Percent of Total Program Expenses	Easement Expenses	Easement Expense as Percent of Total Program Expense	AG Transfer Tax Expense	Investment Interest Income 10% Annually	Total County Program Expense	Total Rural Legacy Program Expense	Total Easement Program Expense
2005	121 (AEP) 272 (MALPF) 30.83 (RLP)	$193,180	9.89%	$1,760,441	$90.11	$1,760,441 +	$193,180 =	$1,953,621 +	$288,692 =	$2,243,313
Totals	6,799 AEP *3,5941 MALPF* 3,935 RLP	$1,717,115		$26,733,750		$27,346,435 58,888* 61,817 # 115,960#	$867,765	$28,450,865	$12,766,849	$41,217,714

a:aepactualexplandscape2004(Jan2005)

Montgomery County AGRICULTURAL PRESERVATION



WATER
TDR RECEIVING AREAS
AG RESERVE (RDT ZONE)
PUBLIC LANDS
TDR EASEMENT (TDR)
AEP PROPOSED
COUNTY AG EASEMENT (AEP)
STATE (MET) EASEMENT
STATE (MALPF) EASEMENT
RLP PROTECTED
RLP PROPOSED
RURAL LEGACY AREA

Map Produced By:
Geographic Information Systems
Enterprise Applications Division
Dept. of Technology Services
Montgomery County, Maryland
Date: September 07, 2004

Agricultural Land Data Source : DED Agricultural Services
MNCP& PC
MD Office of Planning

Montgomery County AEP Program
Schedule of Revenue Received and Allocated by Fiscal Year
July 1, 2005

Description of Revenue Received	Amount of Revenue Received	*FY 80-88	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY00	FY01	FY02	FY03	FY04	FY05	Balance	Total
												Revenue Allocation									
FY 83 Transfer Tax	$ 645,666	$ 432,060	$ 58,772	$ 154,834																	$ 645,666
FY 84 Transfer Tax	1,066,595			1,066,595																	$ 1,066,595
FY 85 Transfer Tax	1,310,649			1,310,649																	$ 1,310,649
FY 86 Transfer Tax	1,055,739			767,006	$ 288,733																$ 1,055,739
FY 87 Transfer Tax	1,981,859				1,981,859																$ 1,981,859
FY 88 Transfer Tax	3,823,031				1,276,987	$ 2,546,044															$ 3,823,031
FY 89 Transfer Tax	2,151,535					12,297	$ 1,238,596	$ 900,642													$ 2,151,535
FY 90 Transfer Tax	2,475,994							2,102,030	$ 373,964												$ 2,475,994
FY 90A State Refun	843,621								843,621												$ 843,621
FY 91 Transfer Tax	147,181								147,181												$ 147,181
FY 92 Transfer Tax	197,016								99,664	$ 97,352											$ 197,016
FY 93 Transfer Tax	533,960									533,960											$ 533,960
FY 94 Transfer Tax	934,322									934,322											$ 934,322
**FY 94 Interest	151,356										**$ 34,799**	**16,953**	**40,116**	**59,488**							**$ 151,356**
***FY 95 AFT	59,500									58,888										612	$ 59,500
FY 95 Transfer Tax	1,400,765									273,475	313,190	152,574	412,061	249,465							$ 1,400,765
**FY 95 Interest	192,295													**111,644**	**4,068**	**76,583**					**$ 192,295**
FY 96 Transfer Tax	1,041,579												10,800	1,030,779							$ 1,041,579
**FY 96 Interest	187,230															**13,720**	**153,955**	**19,555**			**$ 187,230**
FY 97 Transfer Tax	364,209													334,513	29,696						$ 364,209
**FY 97 Interest	151,989																	**143,703**	**8,286**		**$ 151,989**
FY 98 Transfer Tax	401,491														401,491						$ 401,491
**FY 98 Interest	169,733																		**169,733**		**$ 169,733**
FY 99 Transfer Tax	1,016,102														1,016,102						$ 1,016,102
**FY 99 Interest	174,051																		**15,161**	**158,890**	**$ 174,051**
FY 00 Transfer Tax	2,846,362														703,963	955,566	1,186,833				$ 2,846,362
**FY 00 Interest	264,176																			**264,176**	**$ 264,176**
FY 01 Transfer Tax	1,605,855																48,526	1,489,082	68,247		$ 1,605,855
**FY 01 Interest	408,208																			**408,208**	**$ 408,208**
FY 02 Transfer Tax	2,132,485																		1,692,194	440,291	$ 2,132,485
**FY 02 Interest	167,940																			**167,940**	**$ 167,940**
FY 03 Transfer Tax	2,431,432																			2,431,432	$ 2,431,432
**FY 03 Interest	123,405																			**123,405**	**$ 123,405**
FY 04 Transfer Tax	1,936,800																			1,936,800	**$ 1,936,800**
**FY04 Interest	**94,293**																			**94,293**	**$ 94,293**
FY 05 Transfer Tax	1,774,915																			1,774,915	1,774,915
**FY05 Interest	**187,318**																			**187,318**	**187,318**
Total	$ 36,450,657	$ 432,060	$ 58,772	$ 3,299,084	$ 3,547,579	$ 2,558,341	$ 1,238,596	$ 3,002,672	$ 1,464,430	$ 1,897,997	$ 347,989	$ 169,527	$ 462,977	$ 1,785,889	$ 2,155,320	$ 1,045,869	$ 1,389,314	$ 1,652,340	$ 1,953,621	$ 6,583,438	$ 36,450,657

$ 5,490,355	Ag Transfer Tax
$1,093,083	Encumbered
$6,583,438	Agricultural Transfer Tax
$904,229	**Investment Income**
$612	Private Contribution
$7,488,279	Balance

Total Investment Income Earnings	$2,271,994
Total Investment Income Spent as of FY05	**$867,765**
Investment Income Balance before AGEAP	$1,404,229
Transfers out (Ag EAP)	$500,000
Investment Income Balance end of FY05	$904,229

* MALPF easement purchases from FY 80 - 88
** Interest Income from agr. transfer tax revenue
*** Cash contribution for easement settlement during FY 1995
Note: Includes Encumbered Funds as of July 1, 2005 in the amount of $1,093,083

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